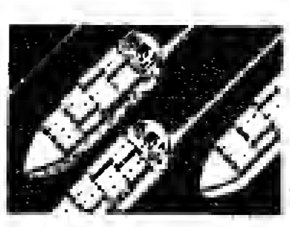
Irish question
How many sides have won?
Page 17

Plague in India
Panic reopens health debate
Page 16

End of a dream
Shopping malls under fire
Page 12



FT Exporter
New agenda for world trade
Survey, Section III

FINANCIAL TIMES

Europe's Business Newspaper WEDNESDAY OCTOBER 5 1994 D8523A

Strong earthquake rocks Japan's main north island

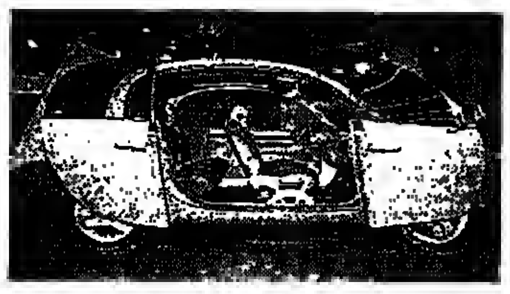
An intense earthquake killed two people and injured more than 190 when it erupted under the sea off Japan's northernmost island of Hokkaido, sending potentially devastating tidal waves rushing towards the coast. The quake was measured at 8.2 on the Richter scale by the US Geological Survey and at 7.9 by Japan's main earthquake centre. Japan's national television network NHK reported 196 people injured on Hokkaido's east coast. Many isolated areas, particularly small islands close to the epicentre, were cut off from communications.

French telecoms contract awarded: A consortium headed by Bouygues, construction and communications group, has won the fiercely contested and potentially lucrative licence to operate France's third mobile telephone network. Page 19

UK proposes insider trading measures: The London Stock Exchange proposed that trading in the shares of companies should be suspended if there is evidence that price-sensitive information has been leaked. Page 9; Editorial Comment, Page 17; Lex, Page 18

Ford UK plants go on short-time: Workers at Ford's Halewood and Dagenham car plants in the UK are to go on short-time for the rest of this month, taking a total of 8,000 Escorts and 2,000 Fiestas out of production. Page 9; Lex, Page 18

Motorshow prototype: French carmaker Renault presented the prototype of its Ludo to the press at the Paris motor show. The 10-day show opens to the public on Thursday. Reports, Page 20



Haiti police chief tries to flee: Haitian police chief Lt-Col Michel François has attempted to flee to the neighbouring Dominican Republic in a move that US officials say will go a long way towards reforming the country's dreaded police force. Page 4

UK Labour heads to centre: Britain's Labour opposition leader Tony Blair pledged to rewrite his party's commitment to public ownership in a shift towards the political centre ground. Page 16; Editorial Comment, Page 17

Earnings fall in Japan: Earnings by employees in Japan's private sector fell by 0.6 per cent in 1993 from the previous year, the first fall in average pay since records began 44 years ago, according to official figures. Page 18

Call to Berlusconi on Fininvest: Opposition politicians are pressing Italian prime minister Silvio Berlusconi to publish a report he commissioned to resolve the conflict of interest with his ownership of Fininvest, the country's second largest private business group. Page 2

Europe nearer to Gatt pact: European foreign ministers agreed to send paperwork for the Uruguay Round trade accord to the European parliament. The move will allow consultation towards ratification of the deal, while member states await a ruling by the European court of justice on trade negotiating authority. Japan resigned to rice liberalisation, Page 8

Peabody Holding, US coal mining subsidiary of UK industrial conglomerate Hanson, is to buy the assets of Exxon Coal's Carter Mining for $360m. The deal doubles Peabody's holdings in Wyoming's Powder River Basin, known for its clean-burning low sulphur coal. Page 19

China to revamp state businesses: China has unveiled a six-point plan to overhaul its ailing state-owned enterprises, by transforming them into shareholding companies with management independent of official controls. Page 6

Industrial robots increase: The number of industrial robots in the world is forecast to soar by more than a third over the four years to 1997, according to a joint report. Page 6

Children die at fireworks factory: Twenty six people – mostly small children – were killed and another 27 critically injured in an explosion in a fireworks factory in Uttar Pradesh in north India. The children were working ahead of Diwali, a festival to celebrate the start of the Hindu new year.

■ STOCK MARKET INDICES

FT-SE 100:	3,081.8	(+18.3)
Yield	4.21	
FT-SE Eurotrack 100	1,312.87	(+3.15)
FT-SE-A All-Share	1,497.44	(+0.4%)
Nikkei	19,568.61	(-81.42)
New York: lunchtime		
Dow Jones Ind Ave	3,833.09	(-13.80)
S&P Composite	458.62	(-3.12)

■ US LUNCHTIME RATES

Federal Funds:	4¾%
3-mo Treas Bills: Yld	5.03%
Long Bond	95$\frac{27}{32}$
Yield	7.856%

■ LONDON MONEY

3-mo Interbank	6%	(same)
Liffe long gilt future:	Dec 98$\frac{2}{32}$	(Dec 98$\frac{13}{32}$)

■ NORTH SEA OIL (Argus)

Brent 15-day (Nov)	$16.96	(17.075)

■ Gold

New York Comex (Dec)	$395.6	(398.2)
London	$392.4	(394.9)

■ STERLING

New York lunchtime:		
$	1.57825	
London:		
$	1.5785	(1.578)
DM	2.4495	(2.4574)
FFr	8.3637	(8.3825)
SFr	2.0354	(2.043)
Y	157.356	(157.516)
£ Index	80.0	(80.2)

■ DOLLAR

New York lunchtime:		
DM	1.55035	
FFr	5.295	
SFr	1.28805	
Y	99.6	
London:		
DM	1.5519	(1.5573)
FFr	5.2967	(5.3121)
SFr	1.2895	(1.2947)
Y	99.69	(99.82)
$ Index	62.3	(62.4)

Tokyo close Y 99.37

Austria	Sch32	Greece	Dr350	Malta	Lm0.60	Qatar	QR13.00		
Bahrain	Din1.250	Hong Kong	HK$18	Morocco	MDh15	S.Arabia	SR11		
Belgium	BFr65	Hungary	Ft185	Morocco	MDh15	Singapore	S$4.30		
Bulgaria	Lv60.00	Iceland	IKr215	Neth	Fl 4.25	Slovak Rp	KSL50		
Cyprus	C£1.10	India	Rs60	Nigeria	Naira90	S. Africa	R12.00		
Czech Rp	CZK50	Israel	Shk6.90	Norway	NKr17.00	Spain	Pta225		
Denmark	DKr16	Italy	L3000	Oman	OR1.50	Sweden	SKr16		
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Switz	SFr3.30		
Estonia	EKr 20	Jordan	JD1.50	Philippines	Pso50	Syria	S£50.00		
Finland	FM14	Kuwait	Fils 625	Poland	Zl 38,000	Tunisia	Din1.500		
France	FFr8.50	Lebanon	US$1.50	Portugal (m'land)	Es225	Turkey	L30000		
Germany	DM3.60	Lux	LFr65			UAE	Dh12.00		

Gooda Walker Names win battle for compensation

Lloyd's members stand to gain $796m from court

By Ralph Atkins and John Mason

Hard-hit members of Lloyd's of London won a significant victory yesterday when the High Court held out the prospect of record compensation for losses incurred as a result of "culpable" and "unjustified" risks taken by the now-defunct Gooda Walker agency.

The Gooda Walker action group, representing 3,096 Names, individuals whose assets have traditionally supported the insurance market, claimed compensation should total at least £504m ($796m).

This would be more than double the previous largest award by an English court.

But the figure was swiftly disputed by the lawyers of the insurers of the 71 Lloyd's agencies defending the case – out of whose funds any damages will be paid.

The judgment provided encouragement for other groups of Names taking legal action against Lloyd's agencies – particularly those involved in similar "spiral" insurance, by which underwriters agree to cover others against excessive losses from catastrophes.

In the judgment, Mr Justice Phillips said the spiral was "like a multiple game of pass the parcel". Mr Michael Deeny, chairman of the action group, which had claimed £629m in compensation for its Names', said: "The parcel turned out to be a time-bomb that exploded in our faces."

Compensation was ordered for losses incurred as a result of five catastrophes – including the Piper Alpha North Sea oil rig disaster in 1988 and the 1989 Caribbean Hurricane Hugo.

The verdict also offered some protection against losses resulting from the catastrophes but not yet reported.

The scale of the compensation likely to be awarded and the prospect of further legal victories by Lloyd's Names will add to the pressure for the insurance market to make a fresh attempt to reach an overall settlement for all outstanding claims, which could total in excess of £3bn.

Mr Val Powell, chief executive of the

Continued on Page 18
Special report, Page 10
Lex, Page 18

Court move against $3.8bn deal

Britain joins airlines to fight Air France aid

By Paul Betts, Aerospace Correspondent

The British government and seven European airlines mounted a concerted challenge yesterday to the European Commission's decision to allow the French government to grant FFr20bn ($3.78bn) in fresh subsidies to Air France.

In three separate filings at the European Court of Justice, the UK government, British Midland Airways, and another group of six European airlines led by British Airways are seeking to annul the EU's approval of the latest state aid for the French national carrier.

The moves are expected to sharpen the growing controversy over government support for European state-owned carriers while the EU is trying to encourage greater competition in a liberalised European single aviation market.

The UK government said the EU's decision to allow the subsidies to Air France, one of the three largest airlines in Europe, would "distort competition" and undermine the benefits of the European aviation market.

Mr Brian Mawhinney, the UK transport secretary, said: "The Commission decision ignores the need for evenhanded treatment. It removes the incentive for state-owned airlines to become efficient and to adopt a sound commercial approach."

British Midland described the Air France aid as "grotesque" and "almost equal to the entire losses made by all the world's airlines in 1993".

BA has been joined by KLM Royal Dutch Airlines, Scandinavian Airlines System, Air UK, Maersk Air of Denmark, and TAT, the French regional carrier which is 49 per cent owned by BA, in its action.

Sir Colin Marshall, BA's chairman, said: "Approving Air France's package of state aid was a deplorable decision."

Sir Colin argued that there was no justification for such a large subsidy for Air France. He said the conditions imposed by the EU for granting the aid were "wholly inadequate" and it risked serious damage to the development of a free aviation market in Europe.

BA and several other European carriers, which have been forced to rely essentially on their own efforts to restructure their activities, now fear that a two-class airline industry is emerging in Europe: the first involving airlines that have had to solve their problems on their own; the second including airlines that continued to rely on their governments for support.

Since August 1991, Brussels has approved state aid to airlines totalling $10.35bn, with the Commission approving in July alone aid amounting to $7.1bn to three airlines: Air France, Olympic Airways of Greece and TAP Air Portugal.

The UK government yesterday said the Air France aid, spread over three years, was the largest ever allowed in the European air transport industry.

Observer, Page 17

Associated Press

Russian president Boris Yeltsin committed his government to further reforms yesterday in a speech marking the anniversary of the 'second October revolution'. Yeltsin said Russia had grown politically and economically since hardliners tried to depose him last year.-Report, Page 18

EU begins move to expand eastwards

By David Gardner in Luxembourg

The European Union decided yesterday to draw up detailed measures to integrate six east and central European countries into its single market, in preparation for their full membership of the Union.

Foreign ministers of the 12 asked the European Commission to produce a white paper listing the measures that Hungary, Poland, the Czech Republic, Slovakia, Bulgaria and Romania need to adopt in order to prepare their economies and legal frameworks for EU accession.

The strategy consciously replicates a 1985 white paper which led to the creation of the single market, and is a demonstration of the EU's commitment to enlargement to the east.

Mr Klaus Kinkel, foreign minister of Germany, which is using its current presidency of the EU to advance the Union's eastward expansion, said the white paper "must be the cornerstone of our strategy".

The white paper strategy, which was agreed in advance by France and Germany, meshes with the Commission's own approach. It is expected to be endorsed at December's EU summit in Essen, while the measures themselves should be ready by next June's summit under the French EU presidency.

Mr Alain Juppé, the French foreign minister, strongly denied that Paris was lukewarm about further EU expansion soon after the enlargement scheduled to take in Austria, Sweden, Norway and Finland in January.

"I have done everything I can to push enlargement forward," he said, adding that more overt enthusiasts were privately expressing misgivings.

Indeed, senior officials from the UK, a strong supporter of eastward expansion, said there "can be no firm timetable before 1996" setting entry date targets. In 1996, the EU will review its constitutional arrangements and how far to tighten Union links before further growth in membership which could risk making it unwieldy.

Yesterday's strategic decision

Continued on Page 18

Brussels may oppose sale of east German steel mill to Cockerill

By Judy Dempsey in Berlin and Michael Lindemann in Bonn

The German economics ministry and the Treuhand privatisation agency have agreed to sell the last of east Germany's steel mills to Cockerill Sambre, the Belgian steel producer, in a deal likely to meet resistance from the European Commission.

The privatisation of Ekostahl, one of the few remaining large industrial complexes to be sold, will be referred to Brussels after the Treuhand board agrees to the privatisation contract next Friday. The Commission has already questioned, but not prevented, part of the DM1.3bn ($840m) subsidies which the Treuhand has granted to Ekostahl since 1990.

Mr Gunther Rexrodt, Germany's economics minister, said yesterday he expected "bitter resistance" from Brussels, particularly since Cockerill wants big state and federal grants for its investment commitment of more than DM530m in Ekostahl.

Further investment of DM770m will be provided, with the federal government and the state of Brandenburg, where Ekostahl is located, each providing DM150m and the Treuhand DM470m. Cockerill will pay DM30m for a 60 per cent stake, with an option on the remaining 40 per cent, which will be held by the Treuhand.

Mr Rexrodt, hoping to win support for Cockerill's plans in Brussels, said he had begun talks with Riva, the privately owned Italian steel producer, to reduce capacity in its plants in eastern Germany. Riva had been the front runner to buy Ekostahl until it unexpectedly withdrew its offer last May.

Cockerill said the investments would be used to rebuild a blast furnace and build a hot rolling mill to establish an integrated steel mill in the region. But Germany's Steel Federation said there was room only for a cold rolling mill at Ekostahl, adding "there was already an excess of hot rolling capacity in the EU".

Cockerill, which already has a small steel mill and a steel services division in eastern Germany, said it was anxious to "gain a greater foothold in the German market as well as eventually tap the markets in eastern Europe".

The sale of Ekostahl, which last year had a turnover of DM1bn on annual losses of DM150m, follows several attempts by the Treuhand to find a buyer for the mill, located in Eisenhüttenstadt, one of the more economically depressed regions in eastern Germany.

The Treuhand, backed by Bonn, opted, for political and social reasons, to keep Ekostahl open despite overcapacity in the German steel industry.

The mill, which employed more than 12,300 people before German unification and produced 2.2m tonnes of steel, has since reduced the workforce to under 3,000 and its capacity to under 1m tonnes.

Cockerill is to guarantee 2,300 jobs and invest DM530m.

CONTENTS

© THE FINANCIAL TIMES LIMITED 1994 No 32,489 Week No 40 LONDON · PARIS · FRANKFURT · NEW YORK · TOKYO

Teaming up has halted the slump in the party's fortunes, writes **Quentin Peel**

SPD rivals form a troika to beat Kohl

GERMAN ELECTIONS
October 16

It may yet prove to have been the best thing Rudolf Scharping did in his long, hard campaign to defeat Helmut Kohl and become the next German chancellor. At the end of the summer, with his popularity slipping, and his Social Democratic party falling ever further behind in the polls, the SPD leader swallowed his pride, abandoned hope of challenging the chancellor on his own, and summoned his two arch-rivals in the party to help.

Oskar Lafontaine, the impish and irrepressible premier of the Saarland, on the Franco-German frontier, was already in the campaign team, but not in the front line. Gerhard Schröder, the smooth-talking and ambitious premier of Lower Saxony, was sulking in his capital of Hanover, making little secret of his intention to stay there until the election was lost.

All three men, known as the "grandsons" of the late Mr Willy Brandt, the SPD chancellor, openly competed to inherit the mantle of party leadership and continued to disagree on the best way of unseating Mr Kohl and his Christian Democratic Union.

Today the three are operating as a team. This has breathed new life into a flagging campaign and with less than two weeks to polling day, the result is still wide open.

It was a day in mid-August, after another gloomy meeting of the party's national executive in Bonn, that Mr Scharping took Mr Schröder to one side and made him an offer he could not refuse. He would give him a super-ministry – industry, transport and energy all rolled into one – in the future federal government, if he would come back into the fight, Mr Scharping said. And it would be three against one – Scharping, Schröder and Lafontaine against the immovable Kohl, he promised.

It took Mr Schröder just a couple of days to decide, with a little help from Mr Lafontaine. It was time the three dedicated rivals, all career politicians since their days as Young Socialist leaders in the early 1970s, buried their differences and came to the aid of the party, he said.

Within days, the SPD head office was rushing out 150,000 copies of a new election poster: the grinning threesome shoulder-to-shoulder, with a one-word caption, *Stark* (Strong). It is a simple message, but ever since then, the slump in the SPD's fortunes seems to have stopped. Mr Kohl, whose own campaign poster has no words on it at all, has at last got a fight on his hands.

Last week the SPD troika came together on a platform in Frankfurt's Römerberg, outside the medieval town hall, to demonstrate their new-found solidarity.

They still strike a pretty strange contrast side-by-side. Tall and austere, the bearded Mr Scharping stands with his arms sternly folded across his chest, a fixed smile on his face. He never seems able entirely to relax, gearing himself up for the next encounter. He lectures the crowds like a headmaster, full of moral duty, facts and figures.

Mr Schröder is quite the opposite. Deliberately casual in smart, double-breasted suits and pastel-coloured shirt, he sticks his hands in his pockets, and chats easily with the crowd. He delights in hecklers from the back row, speaks off the cuff, and obviously revels in the television lights.

Mr Lafontaine is different again. Short and plump, he's a punchy, aggressive orator, the best the party has got, mixing wisecracks with political punch-lines. His one weakness is that he cannot forget his own defeat at the last election, when he was the chancellor-candidate, and misread the mood of the electorate in favour of unification. He still spends too much time justifying his insistence that unification would cost too much – and denouncing Mr Kohl for pretending that it could be paid for without increased taxation.

Scharping, right, with Lafontaine, centre, and Schröder: three one-time arch-rivals come to the aid of the party against one apparently immovable Kohl
Reuter

Their messages at least are complimentary. Mr Schröder hammers home his record as a saviour of jobs in Lower Saxony, where he has openly pumped public funds into loss-making enterprises, such as Deutsche Aerospace's Lemwerder plant, to keep the workers busy. "It is far better to save jobs than pay unemployment benefit," he insists. It is what he plans to go on doing if he gets that super-ministry.

Then it is Mr Lafontaine's turn to denounce the spendthrift ways of the current coalition and demonstrate that his own tax plans are both fairer and more responsible. Eighty per cent of taxpayers will pay less, he says, and just 20 per cent will pay more, to bear the burden of unification which he warned about before.

Both pledge their loyalty to the official chancellor-candidate, although few doubt that each believes he could have done the job better. And then it is up to Mr Scharping himself to give the crowd a vision of the fairer, more prosperous world that the SPD can offer, with the promise of more jobs, at no more expense.

He still finds it hard work to be exciting, preaching down from the pulpit, following a text he appears to have learned by heart. But he can leave the rhetorical flashes to his erstwhile rivals. His great achievement is that he has bound them in to his election team. That means, if they win, they will all share the credit. And if they lose, they will all share the blame.

Berlusconi urged to release report on Fininvest

By Robert Graham in Rome

Opposition politicians are pressing Mr Silvio Berlusconi, the Italian prime minister, to publish a report he commissioned to resolve the conflict of interest with his ownership of Fininvest, the country's second largest private business group.

The report, commissioned by Mr Berlusconi when he took office in May, was handed over to the prime minister on Thursday. Mr Berlusconi has so far refused to comment on its contents, fuelling suggestions that he does not accept the conclusions.

Mr Cesare Salvi, head of the Progressive grouping of senators, the main opposition in the upper house, has called for urgent distribution of the report to parliament. Other politicians have urged action from President Oscar Luigi Scalfaro, who encouraged the idea of a special commission.

The conflict of interest issue has come increasingly to the fore as the right-wing coalition extends its control over the Rai, the state broadcasting organisation, while Mr Berlusconi still retains ownership of Fininvest that dominates 80 per cent of commercial television with its three national channels. When Mr Berlusconi entered politics in January, he merely distanced himself from daily management of Fininvest. The company recorded a L11,600bn (£4.72bn) turnover in 1993, with debts of L3,900bn. Since becoming prime minister he had been made fully aware of the problems but appears reluctant to lose the ownership or see Fininvest broken up.

At first he sought to involve President Scalfaro as a special guarantor to monitor potential conflicts of interests. But the president ruled this out as unconstitutional. Mr Berlusconi then opted for a three-man commission of legal experts with an open brief.

Having personally selected the three members, it will not be easy to reject their conclusions. The commission is composed of legal experts, including Mr Agostino Gambino, a law professor who has done work for Fininvest.

Those close to the commission argue it is almost impossible to employ the US model of a blind trust to Fininvest. Such a trust functions where assets have already been sold and then invested by trustees with the owner being "blind" to the nature of the fiduciary investments.

Suggestions that Fininvest ownership be placed in trust in the names of his five children have not found favour with Mr Berlusconi because of tax problems the children might incur.

Opposition politicians are wary of this solution because they believe he would not be sufficiently distanced from his empire – which he has every intention of returning to once his political venture ends.

The once clear-cut solution – a quick disposal of Fininvest assets – is virtually impossible. This would call into question the entire nature of television ownership in Italy, raise anti-trust issues in publishing and open a debate on foreign investment in the media.

But until a solution is found, Mr Berlusconi risks constant conflicts of interest, the most serious being over the government's control of the Rai. Others are more insidious. Last week for instance, in announcing the budget, he encouraged people to switch to private pension funds – Fininvest's Mediolanum financial services are promoting private pension funds.

Yesterday it emerged his authority was used to curb the sexual content of American television serials shown on Fininvest channels. His wife, Veronica, had apparently urged action after being contacted by a pro-Vatican journalist.

The Fininvest programmes showing what the Italian press has dubbed "soap erotica" are now being sanitised or shown at different hours.

Is this because he is prime minister or owner of Fininvest, or both?

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Hungary acts to accelerate privatisation

By Virginia Marsh in Budapest

Hungary's new Socialist-led government has sacked eight of the 10 board members of AV Rt, the state holding company, and is investigating its general manager for alleged corruption as part of a wide-ranging shake-up of privatisation.

It has appointed four new board members and an acting president to oversee the AV Rt until a replacement for Mr Lajos Csepi as general manager is found. It is investigating charges that Mr Csepi misused funds, forged documents and abused his position.

Mr Csepi became head of the AV Rt shortly after it was set up in 1992 to manage the 160 companies in which the state wished to sell strategic stakes but retain majority ownership.

The government said the move was one of several designed to speed up privatisation and to restore public confidence in the process in the wake of several corruption scandals. In future, the state would place more emphasis on privatising companies via cash sales, flotation on the stock market and through sales to institutional investors, officials said.

Until now trade sales to strategic partners, often through tender, have been Hungary's preferred privatisation method. However, investors have complained of influence-trafficking and long bureaucratic delays in privatisation negotiations. The government has already begun an investigation into privatisation under the previous administration and, in particular, the 320 companies sold off between April and June just before the change of government.

● Hungarian police said yesterday they would continue their clampdown on illegal immigrants despite protests from foreign embassies and business groups in Budapest. The police said they would use powers granted in a law which came into effect this month to enter private homes to check up on foreigners. The statement came after a month-long series of raids on restaurants, hotels and other night spots frequented by foreigners. More than 100,000 people, including 15,000 foreigners, had been checked since September 9, the police said.

Western businessmen in Budapest said the raids were counter-productive and would hurt the government's drive to attract more foreign investment. Foreign companies have complained about new immigration rules which require expatriates working in Hungary to apply for three permits and to be tested for the HIV virus.

Net tightens round French Republicans

Corruption probes are not only ensnaring the party but could harm the premier, writes **John Ridding**

Strand by strand, the web of corruption probes ensnaring Mr Gérard Longuet, the French industry minister, and his Republican party, is growing thicker.

An announcement by the justice ministry on Monday night that it was opening a formal investigation into the funding of the centrist party follows existing allegations of irregularities concerning payments for the minister's holiday villa in Saint Tropez. He is already under pressure to resign, and the latest probe could also drag other party members into the judicial firing line.

The implications of Mr Longuet's legal problems, however, extend beyond his position and his party. The affairs are developing into a dilemma for Mr Edouard Balladur, the prime minister, which could undermine his bid for the presidency in next spring's elections. More broadly, they are fuelling pressures for a reform of the relationship between French business groups and political parties.

For Mr Balladur, the stakes are high. With his eyes set on next year's elections, he regards Mr Longuet and his Republicans as vital allies in an undeclared battle with his Gaullist rival, Mr Jacques Chirac. The Republican party is the largest element in the UDF, junior partner in the centre-right RPR-UDF government, and could offset Mr Chirac's advantage as head of the Gaullist RPR.

The widening scope of the corruption investigation also threatens to tarnish Mr Balladur's government. In addition to Mr Longuet, two other ministers from the Republican party – Mr François Léotard, defence minister, and Mr Alain Madelin, minister for enterprises and economic development – were cited in the report by an investigating magistrate which triggered Monday's official inquiry.

The report, issued by Mr Reynaud Van Ruymbeke, the magistrate leading the probe into the financing of Mr Longuet's villa, questions how the Republican party received cash payments of about FFr28m (£3.35m) between 1987 and 1991. It also questions whether the party obtained its Paris headquarters on favourable terms.

Mr Léotard and Mr Madelin, like Mr Longuet, strongly deny any wrongdoing and attack the leaking of supposedly confidential investigations. "Journalists are becoming prosecutors," said Mr Léotard. The problem for Mr Balladur, however, is that the corruption controversies could damage the image of his government as they did the previous Socialist administration which was bundled from office last year, partly because of a public perception of corruption.

Mr Balladur's government has already lost one minister in a corruption case. Mr Alain Carignon, the communications minister, stepped down in July after being placed under investigation for alleged influence peddling in Grenoble, where he is mayor. Several leading businessmen, including the chairmen of Saint Gobain, the glass and building materials company, and Cogedim, the property developer, have also been placed under investigation for alleged fraud.

The combined effect of the various corruption investigations has been to increase pressure for a reform of the existing party financing laws and the close links between business and politics. Mr Philippe Séguin, the national assembly president, proposes an all-party study into reforming legislation on the funding of political parties, a move which would have the backing of 90 per cent of the public, according to a Louis Harris poll published on Monday.

France has already implemented several reforms of party financing over the past six years. Laws passed in 1988 and 1990 limited the campaign spending of parliamentary candidates to FFr500,000 (£60,000) and set limits on corporate contributions. There is now pressure, however, for a complete ban on corporate funding.

Two senior government politicians, Mr Pierre Mazeaud and Mr Charles Millon, have proposed a bill to ban completely the financing of political campaigns by business groups. Alternatives include a state fund for political expenditure or the creation of German-style foundations to receive corporate contributions and so act as a filter between politicians and companies.

Mr Balladur, however, has been reluctant to embark on complex and politically sensitive reforms. He argues that the rise in corruption investigations in recent months reflects a freer hand given to judicial authorities rather than a rise in corruption and that the cases in question date back to the end of the 1980s. He says he is "convinced that a rigorous application of the law will clean up the situation".

Mr Balladur may be right. But, politically, it is a risky perspective. The prime minister has already drawn criticism for granting Mr Longuet a one month grace period to defend himself against Mr Van Ruymbeke's allegations of irregularities concerning his villa, although he has made it clear he expects the minister to resign if formally charged.

Said one senior Chirac supporter: "Mr Candidate has got the better of Dr Premier."

NEWS: EUROPE

EUROPEAN NEWS DIGEST

Belgrade can reopen airport

Belgrade will reopen its airport to international flights today after a 28-month closure following a United Nations report confirming that Serbia's President Slobodan Milosovic has cut off all military aid and supplies to the Bosnian Serbs. The report clears the way for international flights and ferry services from Serhia and Montenegro, and for sporting and cultural exchanges. The sanctions will be suspended under a 100-day moratorium, and come as a reward to Mr Milosovic for cutting links with his former protégés, the Bosnian Serbs, in an attempt to force them into accepting the so-called contact group's peace plan.

Jubilant airport officials in Belgrade said the Russian carrier Aeroflot would make the first international landing when it brings Mr Vitaly Churkin, Russia's deputy foreign minister, from Moscow today. The Yugoslav national carrier, JAT, will resume flights tomorrow, and a ferry service will restart from Bar in Montenegro to Bari, Italy. Other international carriers are expected to follow soon. Other sanctions, such as the ban on nearly all foreign trade and the freezing of foreign bank accounts, will remain in force, probably until Mr Milosovic accepts recognition of Croatia and Bosnia.

EU foreign ministers meeting in Luxembourg yesterday reaffirmed the commitment to tightening the exclusion zones, and their willingness to use air strikes. They also discussed how to increase the presence of tha monitoring force along the border with the Bosnian Serbs, to make sure nothing more than food and bumanitarian goods is getting through. British intelligence has reported its satisfaction that the border had been sealed for six weeks. Mr Douglas Hurd, UK foreign secretary, said it was still important to improve the fragile situation around Sarajevo. *James Whittington, Belgrade, and Emma Tucker, Brussels.*

Norway drafts budget

Norway's minority Labour government yesterday unveiled a draft 1995 budget which aims to slash the deficit and forecasts continuing improvement in the economy. It also shows optimism about winning the support of a sceptical electorate in a referendum on November 28 on joining the European Union. The draft reduces the deficit to NKr20.9bn (£1.95bn) from NKr32.7bn (£3.05bn), helped by an increase in petroleum earnings to be derived from a sharp rise in daily oil output to 2.6m barrels and a reduction in the state's direct investment in the sector. The deficit reduction would also be helped by an increase in a wide range of tariffs and taxes to raise NKr4.6bn. However, Norway's dependence on oil is underlined by the non-oil budget deficit of NKr52.6bn, against NKr58.2bn in 1994. Gross domestic product is expected to grow by 2.75 per, down from 4.5 per cent this year. Inflation is forecast to rise to 1.5 per cent from 1.25 per cent Local analysts said the government's prognosis for the non-oil, mainland economy seems to assume a Yes vote in the EU referendum to substantiate forecast growth of 12 per cent in corporate mainland investment next year (up from 7 per cent in 1994), amid warnings that investment will be directed outside Norway if membership is rejected. *Karen Fossli, Oslo.*

Swiss ease property curbs

The Swiss parliament has approved measures to make it easier for foreigners to buy and sell property in the country. Right-wing opponents bave promised to try to force a referendum on the issue. They have 90 days to raise the required 50,000 signatures and their chances are considered good. Changes to the so-called Lex Friedrich would enlarge the quota of holiday homes that can be sold to foreigners from 1,420 per year to 4,000 every two years and eliminate curbs on foreign residents buying property for their own use. Foreign owned companies would be free to buy property for their husiness but property purchases for investment would remain restricted. Distress sales, or sales by one foreigner to another, would no longer be counted against the quota. The reform could come into effect next March if no referendum were required. The government would have difficulty fitting a referendum on this issue into next year's already crowded schedule. *Ian Rodger, Zurich.*

Bullfight star's costly gesture

Official proceedings bave been started against one of Spain's most successful and glamorous hullfighters – over a bull he did not kill. Jesulín de Ubrique could be fined up to Pta10m (£50,000) and banned for six months for refusing to deliver the death-blow during a corrida last month in the south-eastern town of Albacete. That, in the strange world of bullfighting, is against the rules. Occasionally a bull that has fought particularly bravely may be spared, at the discretion of the president of the fight. But Jesulín de Ubrique broke all the codes by taking the decision himself. It was his 122nd meeting of the season, breaking a record set by the flamboyant Manuel Benítez, El Cordobés. By allowing his first bull of the afternoon – ironically named Executioner – to leave the ring alive, he wanted to make a gesture to his famous predecessor. The president of the event, a police official, took the matter seriously and reported it. The case is in the hands of the civil governor's office. *David White, Madrid.*

ECONOMIC WATCH

Retail sales rise in Switzerland

Swiss retail sales turned up in August, recording a 2.3 per cent value growth year-on-year after a 2 per cent decline in July. Private consumption up to now has been the weakest component in the recovery that has been under way in the Swiss economy since the fourth quarter of last year, in spite of indications of improving consumer sentiment. Sales of food and luxury items rose 3.5 per cent in August while clothing and textile sales declined by 3.4 per cent, the federal statistics office said. On a volume basis, August sales were up by 2 per cent. *Ian Rodger, Zurich*

■ Italian prices rose by 0.3 per cent last month, giving an annual inflation rate of 3.9 per cent, the national statistics office reported. In August, prices were up 0.2 per cent.

■ The Dutch trade surplus shrank to Fl 1bn (£365m) in June from Fl 2.2bn in May and Fl 1.9bn in June 1993, according to the central statistical office. But for the first six months taken together, the surplus rose sharply to Fl 10.2bn from Fl 8.8bn a year earlier.

UN maritime agency panel to review safety

Charles Batchelor reports on action prompted by the Baltic ferry disaster

International moves to strengthen safety controls on roll-on roll-off ferries gathered pace yesterday with the announcement by tbe International Maritime Organisation of plans to establish a panel of safety experts to recommend action.

The efforts by the IMO, an arm of the United Nations, follow the sinking in the Baltic last Wednesday of the car ferry Estonia with the loss of more than 900 lives.

The proposal by IMO's secretary general, Mr William O'Neil, is unprecedented in the organisation's 35-year history and is intended to shorten its frequently lengthy procedures. Even so, a final decision to go ahead with the panel will not be taken until its safety committee meets in two months.

At the same time, the UK department of transport's marine safety agency said it would ask its surveyors to carry out immediate checks on the bow doors of all ro-ro passenger ferries operating out of UK ports.

Mr Robin Bradley, chief executive of tbe agency, described this move as "precautionary" but added: "In the light of the evidence emerging from tbe Estonia, I believe it is important we should take this additional safety measure."

Checks of vessels' inner and outer bow doors will be carried out within the next 28 days. Inspectors will also examine closing procedures, surveillance eqnipment and indicators.

P&O European Ferries, which operates 45 ferries, said it hoped these moves would put an end to speculation and start to establish some facts about ferry safety.

The IMO expert panel will be headed by Mr Giuliano Pattofatto, an Italian naval architect and chairman of the organisation's safety committee. It will consist of representatives of member governmeots and outside experts. It is expected to begin its work after tbe next meeting of the IMO's safety committee between December 5 and 9 and present its recommendations to the next meeting of that committee in May 1995.

"The idea is to speed up the process of review instead of deferring it to a sub-committee meeting in three months time," Mr Roger Kohn, the IMO spokesman said.

"Nothing will be excluded. You have got to prove to the travelling public that you are looking at everything seriously and give reassurance."

Like other IMO committees the expert panel will only be able to make recommendations. But only a small oumber of countries operate ro-ro ferries and since they will be represented on the panel they can be expected to carry out its suggestions, Mr Kohn said. Most ro-ro ferries are in use in Europe, Japan and Australasia.

The IMO has been criticised in the past hy some of its more safety-conscious member governments for the slow pace of its deliberations. The UK clashed with other members over plans for a tightening up of ferry regulations in tbe wake of the sinking of the Herald of Free Enterprise in 1987 and last year warned tbat countries would take unilateral action if the IMO did not move more quickly.

IMO officials point out, however, that the 149-memher organisation has to work hy achieving consensus. "For some of our members the pace is unbearably quick, for others we are very slow," Mr Fernando Plaza, a senior safety director said recently.

The IMO has created 30 conventions, which are mandatory on member governments, as well as more tban 700 codes, which are advisory, on a wide range of maritime safety issues. But it depends on governments to ratify and enforce its regulations.

In its early days amendments to conventions required ratification by two-thirds of member governments before they took effect.

Many proposals took years to implement, so in the early 1970s tbis was changed to make amendments effective unless one-tbird of members rejected them.

At present member governments are given two years or more to consider amendments but this is shortly to be reduced to 18 months.

The IMO is constrained by the need to balance the interests of developing countries, where economic development often takes precedence over safety consideratioos, and those of western nations where the puhlic demands higher safety standards.

"We produce the highest practicable standards, not the highest possible ones," said Mr Plaza.

The transport committee of the European parliament is to discuss ferry safety when it meets next Monday.

Finns order ro-ro bow doors welded shut

Finland's board of navigation said yesterday that the bow doors of all roll-on, roll-off ferries sailing in "open" Baltic seas had to be welded shnt as a safety precantion while investigations into the sinking of the Estonia continned. Swedish authorities say they will insist on similar measnres, writes Christopher Brown-Humes in Stockholm.

Silja Line, the Baltic's leading ferry operator, said it wonld seal the bow doors of five ferries – vessels which either sail in open seas or have the same visor-type bow constrnction as the Estonia.

Three other Baltic ferry operators have promised similar measures.

Accideot investigators want to locate the Estonia's bow door, after video footage established on Monday that it had been torn off in heavy seas. Mr Andi Meister, Estonian chairman of the commission, said: "We now know how it happeoed when water gushed into the ship, hnt we still do not know what caused the catastrophe."

Lines of inquiry include technical failure, metal fatigoe, overloading and negligence.

Meanwhile, the Stena Saga was withdrawn from service between Fredrikshavn in Denmark and Oslo yesterday after Swedish inspectors discovered cracks in the vessel's bow shield.

Estline, the operator of the Estonia, suffered another misfortune on Monday evening when a chartered cargo ferry, the Cap Canaille, ran aground in the Stockholm archipelago eo route to the Estonian capital of Tallinn.

After freeing herself, she returned to Stockholm where a leak in a tank was discovered.

She is expected to be out of service for several days.

Cardoso cruising to easy election victory

By Angus Foster in São Paulo

First results from Brazil's presidential elections on Monday suggested Mr Fernando Henrique Cardoso, the former finance minister, was set to score an easy victory over his main rival, the left winger Mr Luiz Inácio Lula da Silva.

By early yesterday afternoon, with about 450,000 votes counted – less than 1 per cent of the total – Mr Cardoso had more than 50 per cent of valid votes cast.

This compared with about 23 per cent for Mr da Silva. The results, which mainly came from the country's more developed south, were in line with exit polls released on Monday night, which predicted a nationwide victory for Mr Cardoso by a wide margin.

The first results also confirmed opinion poll projections that Mr Cardoso would poll more votes than all his competitors, thereby winning the election outright without the need for a second-round run off.

Mr Cardoso was reported to be resting in São Paulo state yesterday, and is waiting for more votes to be counted before commenting on the results or claiming victory.

Counting is likely to take at least 10 days, but Mr Cardoso is expected to return to Brasília today or tomorrow and give a press conference on his plans as future president.

His mandate does not begin until January 1 and he is expected to use the next months to build a cabinet and prepare a number of economic and tax reforms to underpin the Real currency, introduced earlier this year.

The exit polls suggested a strong showing for Mr Enéas Carneiro, the far-right candidate who seemed to have appealed to Brazilians seeking to cast a protest vote. He looked set to receive 6 per cent of the votes and finish third, ahead of established politicians such as Mr Orestes Quércia and Mr Leonel Brizola, former governors of São Paulo and Rio de Janeiro respectively.

In spite of Mr Cardoso's strong showing, some of his political allies appeared to be in trouble. Mr Mário Covas, until recently clear favourite to win the governorship of São Paulo, Brazil's most important state, appeared to have lost support and may face a second round run-off. Mr Antônio Britto, who was also expected to easily win the southern state of Rio Grande do Sul, also looked to be heading for a surprise second round run-off.

Also up for grabs in the elections were 27 state governorships, 54 of 81 Senate seats, all 513 lower house deputies and 1,059 state legislators.

Voting was festive and peaceful across the country, although a ban on last-minute campaigning was widely ignored.

São Paulo stock market takes results in its stride

By Patrick McCurry in São Paulo

São Paulo's main stock market index was virtually unchanged by lunchtime yesterday, in spite of the financial markets' optimism at the election success of Mr Fernando Henrique Cardoso.

Analysts say a Cardoso victory had already been priced into the market, which has nearly doubled in dollar terms this year, and is up by about 65 per cent since July 1.

Many analysts expect a period of post-election profit-taking, particularly by foreign investors, which could mean a flat or downwards market in the short term. According to Mr Roberto Serweczak, head of trading at stockbroker Baring Securities in São Paulo, the market will be looking for news about how far and how quickly Mr Cardoso is prepared to go in economic reforms and privatisation.

Although some foreign investors in equities will be taking profits, there is likely to be a substantial increase in overall foreign portfolio investment over the coming months.

Mr Marcelo Cabral, an international equities vice president at Morgan Stanley in New York, said: "Global investors are significantly underbought in Brazil and it will become very hard to stay out of the country if Cardoso implements economic reforms."

But progress will be gradual, says equities analyst Ms Monalisa Guarda: "Changes will not be as dramatic as in Argentina. I expect a slower but coherent programme, and a gradual increase in foreign investment."

However, the government could try to restrict overseas investment in equities if there is an extremely large dollar inflow. Since its July 1 launch the new currency, the Real, has appreciated by 15 per cent against the dollar. The government is worried that a big inflow of foreign exchange will put more pressure on the exchange rate, forcing the central bank to compromise money supply targets by buying dollars and issuing Reals.

But most analysts believe the government would only target overseas investment as a last resort, partly because the government will need foreign investors for its privatisation programme.

Prices of Brazilian overseas debt securities were stable yesterday morning, said traders, although prices had moved up in the days preceding the election and are up by about a quarter since May.

Analysts say future prices will depend on the confidence of foreign investors in Mr Cardoso's reforms as well as the success of a fund, approved by the government last month, which allows Brazilians to invest in sovereign debt.

The Real was trading half a cent up yesterday morning, at $1.18.

Left academic finds right stuff

From 'dependency' theorist to reluctant neo-liberal. **Angus Foster** profiles Cardoso

Mr Fernando Henrique Cardoso, likely to be Brazil's next president, is a former left-wing professor turned politician who has moved steadily towards the right in the last 10 years. Many Brazilians are now asking how much further he will move to govern a country still controlled by conservative élites.

Mr Cardoso, 63, is a popular and respected figure in Brazilian politics, whose charm and a relaxed style with the media helped win the election. He speaks several foreign languages and is reputed to have a liking for French cooking and poker.

His experience of government is limited to brief spells at the foreign and finance ministries, where he sometimes appeared excessively cautious. Given the size of the economic and social problems he will inherit, a tendency to be indecisive could damage his presidency.

Born into a wealthy military family, he is one of the outstanding Brazilians of his generation. He trained as a sociologist and later taught at the University of California at Berkeley and Cambridge. His best known works explored "dependency", a theory which sought to explain Latin America's "underdevelopment" as a consequence of the continent's dependence on capital and technology from the US and Europe.

His understanding of Brazil's social problems will be important because the country has one of the biggest gaps between rich and poor with millions living in shanty towns, often without health and education services. Mr Cardoso, whose anthropologist wife Ruth has strong views on social issues, says the country needs to become "more humanitarian" and to end its "social injustice".

His links with the left led to trouble with Brazil's military rulers in the 1970s and he was banned from teaching at the University of São Paulo. When democracy returned to Brazil in 1985, Mr Cardoso switched to politics and was elected a senator for São Paulo in 1986.

He helped form a new political party, the Social Democrats (PSDB), which has gained a reputation for good – and clean – government in several Brazilian states. Mr Cardoso joined the government of President Itamar Franco in 1992 after the ousting of former President Fernando Collor on corruption charges. In May last year, against his instincts and the advice of friends who thought the job a poisoned chalice, he was persuaded by President Franco to become Brazil's fourth finance minister in less than a year.

One-time sociology professor Cardoso: his charm and relaxed style with the media helped win the election, but will his commitment to tackling social problems land him in trouble with Brazil's conservative politicians and business groups? Reuter

Once appointed, Mr Cardoso often reminded interviewers that he was not an economist. But his political skills allowed him to negotiate through congress a package of economic measures in preparation for the launch of a new currency, the Real. It worked, and monthly inflation fell from 50 per cent in June to less than 2 per cent in September.

It was this that won Mr Cardoso the election, helped by an alliance with the right-wing Liberal Front (PFL) party that delivered him votes in Brazil's poor north-east. The alliance was unpopular with some of Mr Cardoso's supporters because the PFL is controlled by the same old-style politicians Mr Cardoso used to criticise and blame for Brazil's social problems.

Advisers say he needed the alliance to win the election. But critics say it showed Mr Cardoso was too ready to compromise his principals for politics. They worry that his commitment to tackling social problems, such as promoting fairer land ownership, will be shelved if reform threatens the entrenched interests of conservative politicians and business groups.

Mr Cardoso says he is a social democrat and bridles when described as a "neo-liberal" who expects market forces to solve Brazil's problems.

"The market cannot solve problems of poverty," he said, adding that the state should remain an active provider of social services. In his election manifesto, he said the state should remain involved in certain undefined "strategic" areas of the economy.

But, in the short term at least, it seems he will have to follow policies that have been described as "neo-liberal" elsewhere in Latin America. To balance the government's budget it is likely he will have to privatise state-owned companies faster than he might like. He has said the state's monopoly on telecommunications and mineral extraction can be lifted, but has so far rejected a full-scale privatisation of Petrobras, the state-owned oil monopoly.

To guarantee the continued success of the Real currency, he will also have to overhaul the federal government's budget and its social security system. This will require increasing the tax take and government spending cuts. State pensions may be frozen and stricter rules introduced to stop workers retiring early.

Economists agree such changes are needed as Brazil modernises its economy and government. They say that the fact that it is a former left-wing sociologist proposing the reforms shows there is now a consensus in Brazil for a smaller, more efficient state in a market economy, in line with other countries in the region.

Mr Antônio Carlos Magalhães, leader of the PFL and one of the old-style politicians Mr Cardoso used to rail against, said there was another possible explanation. "Fernando Henrique Cardoso was always politically further to the right of centre than we had thought," he said.

Indicators in US up by 0.6% in August

By Jurek Martin

The US government index pointing to future economic activity rose in August by the largest amount since March, led by strong orders for consumer goods and materials.

The index of leading economic indicators went up by 0.6 per cent in the month, following no change in July and a modest 0.2 per cent advance in June.

In March the index had jumped by 0.7 per cent.

The August performance, confirming the National Association of Purchasing Managers report, published on Monday and showing continuing strong expansion, was in line with market expectations and had little early impact on equity prices. The Dow Jones Industrial Average was up about 7 points in morning trading.

Nine of the 11 component parts of the index rose last month. The largest contributions were made by manufacturers' new orders, vendor performance, state unemployment benefits claims and stock prices. Two elements declined – the money supply and unfilled orders by manufacturers.

The overall increase meant the index was 3.8 per cent higher than a year ago, according to the commerce department.

But market analysts expected a smaller increase in September.

Way is now open for reform of dreaded police force, says US

Haiti police chief tries to flee

By Ted Bardacke in Port-au-Prince

Haitian police chief Lt-Col Michel François has attempted to flee to the neighbouring Dominican Republic in a move that US officials say will go a long way towards reforming the country's dreaded police force.

Col François was detained by Dominican officials who would not let him cross the border because he lacked the proper Haitian exit papers. But it was expected that he would soon be able to enter the Dominican Republic where he recently bought a home and his family moved some time ago.

Haiti's military leaders, scheduled to step down by October 15, did not immediately appoint a new police chief and Mr Stanley Schrager of the US embassy suggested that the post may remain vacant until exiled President Jean-Bertrand Aristide chooses someone to fill it.

With Col François removed, US officials began to implement their plan to recruit and train Haiti's new police force, selecting a site for a temporary training academy, where each month 375 new recruits will take a four-month course until reaching the target of 4,000 officers.

Current officers will be allowed to join the new force but one US official said that President Aristide was considering setting a limit on the amount that could do so. Those officers who show co-operation with US forces in the interim will be given first priority, said the official.

Col François' flight comes a day after the US military, in a substantial show of force, stormed the headquarters of the country's main paramilitary group, the Front for the Advancement and Progress of Haiti. Though the US detained less than 100 of the several thousand armed members of Fraph, US military patrols in the capital increased as the US attempted to increase pressure on the military rulers and prevent more outbreaks of violence.

"It is becoming clear there is a new sheriff in town," said Mr Schrager, expressing hope that the recent crackdown would encourage military leader Lt-Gen Raoul Cedras to join Col François in leaving the country. The two men, along with chief of staff Brig-Gen Phillipe Biamby, toppled President Aristide in a bloody coup d'état on September 30, 1991 and have violently controlled the Caribbean nation ever since.

"You are seeing a gradual reduction in the ability to wage violence," Mr Shrager said.

"Our forces are establishing themselves ashore in many ways, including the development of an on-shore logistics capability, an expeditionary medical facility in Port-au-Prince and the opening of Port-au-Prince international airport to commercial traffic by tomorrow morning," General John Shalikashvili, chairman of the US Joint Chiefs of Staff, said.

Clinton takes to campaign trail

By Jurek Martin in Washington

President Bill Clinton finally hit the campaign trail on Monday night by venturing out into the Washington suburbs to raise money for Senator Chuck Robb of Virginia.

The president told an enthusiastic rally he and the senator had been the subject of unfair Republican attacks. "They exalt fear over hope, division over unity," he said, "and they are brilliant at it."

He also took an oblique shot at Mr Oliver North, the Republican candidate. Never mentioning him by name, Mr Clinton noted the biblical commandment against bearing false witness, a clear reference to Mr North's conviction – later overturned on a legal technicality – in the Iran-Contra scandals.

Senator Robb is one of the few Democratic candidates for election who has openly embraced Mr Clinton and sought his help. Equally a large part of the North campaign is to portray Mr Robb as "Bill Clinton's senator," thus hoping to capitalise on the president's unpopularity in the country and in Virginia, where he was defeated by President George Bush in the 1992 presidential election.

Political experts believe Mr Robb is taking a sizeable gamble in hitching his star to Mr Clinton's sagging fortunes. However, the Virginia race remains tighter than expected following the withdrawal last month of Mr Doug Wilder, the former Democratic governor and independent candidate.

One recent poll gives Mr North a slim lead, with the third man Mr Marshall Coleman, previously a Republican lieutenant governor, trailing badly. Mr Wilder's withdrawal, it was assumed, would boost Mr Robb by unsplitting the Democratic vote but the former governor still has not endorsed his longtime party rival.

Mr Robb is also being heavily outspent by Mr North, who is well financed by the far right-wing and its religious supporters. The Republican campaign chest is already $15m strong, while the Democratic incumbent has raised only $3m and Mr Coleman less than $1m.

The estimated $500,000 generated by Mr Clinton's appearance at two fundraisers on Monday night certainly helps Mr Robb, who has been unable to match Mr North's televised commercial blitz.

The senator's aides reckoned that the new infusion of funds could buy 10 days worth of concentrated statewide TV advertising.

Who next? Reformers fear the assassin in Mexico

Damian Fraser reports on the aftermath of the killing of another PRI leader

If Mr Ernesto Zedillo, Mexico's next president, had any doubts about the difficulties of reforming Mexico's governing party and the country's corrupt judicial and legal system, the assassination last week of Mr José Francisco Ruiz Massieu, the party's number two official, will probably have removed them.

Mr Ruiz Massieu's killing was allegedly ordered by Mr Manuel Muñoz Rocha, a federal deputy of the ruling Institutional Revolutionary party (PRI), and Mr Abraham Rubio Canales, a former tourism developer with strong links to the Gulf drug cartel in the state of Tamaulipas.

The two allegedly hired the gunman, and other accomplices, according to testimony from one man who has confessed to his role in the killing.

This alleged alliance between a hardliner in the governing party and a man with links to a drug gang has underlined concerns that efforts by Mr Zedillo to reform his party and the country's criminal justice system will be met with fierce and violent resistance from those who stand to lose from these changes.

According to testimony from the alleged accomplices to the assassination, the conspirators drew up a list of reform-minded politicians with plans to kill all of them.

Since Mr Ruiz Massieu's assassination, there has been renewed speculation that political reactionaries and drug traffickers may have had a hand in the killing six months ago of Mr Luis Donaldo Colosio, the ruling party's reform-minded presidential candidate, even though no evidence has emerged to indicate this is the case.

Mr Carlos Fuentes, the novelist, asked yesterday in a newspaper article entitled "Who is next?" whether Mexico, like Colombia, was facing a period of sustained political violence orchestrated by drug barons. Other columnists have insinuated that more groups than currently revealed might be involved in Mr Ruiz Massieu's murder.

Mr Muñoz Rocha has promised to hand himself in if his safety is guaranteed, according to a statement by Mexico's Congress. Two newspapers reported yesterday that Mr Muñoz Rocha has admitted to a role in the crime but put the responsibility on Mr Rubio Canales, who reportedly blames Mr Ruiz Massieu for his conviction for fraud in 1992, and the prison sentence he is currently serving.

Mr Muñoz Rocha said he participated in the assassination "because I was angry that I had not been supported in my political aspirations".

The ruling party has denied that the crime reflects an internal battle between ideological factions in the PRI. Mr Ignacio Pichardo, the president of the party, declared on Monday that Mr Muñoz Rocha "never had intellectual interests, never raised issues of political theory, and was never associated with making ideological pronouncements."

Mr Pichardo insisted that the reform of the PRI would go ahead. As if to underline this pledge, Ms Maria de los Angeles Moreno, the head of the PRI group in the Chamber of Deputies and a reformist, was appointed to replace Mr Ruiz Massieu as the party's secretary-general.

Government officials have suggested the Gulf drug cartel may have deliberately involved Mr Muñoz Rocha in the assassination to maximise the political impact of the crime.

The motives of drug traffickers are uncertain. One view is they believed the assassination would weaken Mr Ruiz Massieu's brother, Mario, who is the deputy attorney general in charge of drug enforcement.

If this was the motivation, the plan may have backfired. Mr Ruiz Massieu has taken charge of the investigation into his brother's death, and search for drug cartel members appears to have intensified.

Another view is the cartel was seeking revenge. Mr Mario Ruiz Massien recently had arrested Raul Valladares, top lieutenant in the Gulf Cartel and son-in-law of Mr Rubio Canales, the man in the Acapulco jail accused of jointly plotting the assassination.

Canada to unveil radical social security reform blueprint

By Bernard Simon in Toronto

Canada's Liberal government will today unveil an ambitious blueprint for overhauling a panoply of generous but costly and increasingly ineffective social security programmes.

The proposals are likely to unleash a vigorous debate which will test the government's resolve against a plethora of special interest groups, and its commitment to reducing the budget deficit.

In an effort to contain the political backlash and to retain room for manoeuvre, Mr Lloyd Axworthy, human resources minister, will present the proposals in the form of a "discussion paper" containing various options. He plans to introduce detailed legislation next spring.

A senior government official said however, that the options will reflect a new direction: "Our primary objective is to see if we can move the public debate to a different place."

The Liberals recognise that they will be unable to meet their goal of cutting the federal budget deficit to 3 per cent of gross domestic product without trimming social security outlays.

The programmes in question now cost about C$39bn (£18.30bn) a year, or a third of total federal spending.

They include unemployment insurance, job training and child tax benefits, as well as transfers to the 10 provinces to fund welfare assistance and post-secondary education. Old-age pensions will not be included in the review.

There is widespread agreement on the need to reform the social security net, many of whose components have been virtually unchanged for the past three decades. Concern centres on the growing group of able bodied people who have fallen into a "welfare trap" as a result of generous social security.

Unemployment insurance and social assistance payments now equal about 4 per cent of gross national product, compared with less than 1 per cent in the mid-1960s. At the same time, the number of people living below the poverty line has risen steadily.

Leaks from Ottawa suggest that Mr Axworthy will propose targeting benefits more narrowly and creating new incentives to encourage people either to look for work or acquire new skills.

The discussion paper is expected to suggest a clampdown on workers in such seasonal industries as fishing and construction, who can claim generous unemployment benefits after as little as 12 weeks' work. The government this week unveiled a new programme to top up the income of people who accept menial jobs at minimum wages as a way of re-entering the workforce.

Mr Axworthy hopes to defuse inevitable criticism of the cuts with a proposal to divert some of the savings from lower unemployment insurance and welfare payments to support children of underprivileged families. The discussion paper is also expected to propose reforms in the funding of higher education, by replacing direct grants to universities with more generous loans to students.

The overhaul will be complicated by split responsibilities between the federal government and the provinces. Many programmes, including welfare and higher education, are delivered by the provinces but partly financed by federal tax revenues.

Quebec's new separatist government has indicated that it will not take part in the process unless it considers the reforms to be to its own advantage.

Use of robots 'set to grow by one third'

By Frances Williams in Geneva

The world's industrial robot population is forecast to soar by more than a third over the four years to 1997, according to a report published by the United Nations Economic Commission for Europe and the International Federation of Robotics yesterday.*

The report, the first in an annual series, says sagging growth in robot investment bottomed out in 1993 and numbers are set to jump from 610,000 at the end of last year to more than 830,000 by the end of 1997. Annual sales are predicted to rise from about 54,000 units in 1993 to more than 103,000 units in 1997.

Japan accounts for more than half the world's robot stock, equivalent to 325 robots for every 10,000 manufacturing workers. It is followed by Singapore (109), Sweden (73), Italy (70) and Germany (62).

Use of robots is most widespread in the motor vehicle industry, which accounts for between a third and more than one-half of robots in use in countries such as France, Poland, Singapore, Spain, Sweden, Taiwan and Britain.

Though Japan now has the highest number of robots in the electrical and electronic industry, it remains the world leader by far in the use of robots for vehicle manufacture.

In the transport equipment sector, which includes motor vehicles, Japan has 1,000 robots for every 10,000 workers, compared with 167 in Sweden, 110 in Franca and 63 in Britain.

In most countries, especially those with big motor vehicle industries, robots are used most frequently for welding.

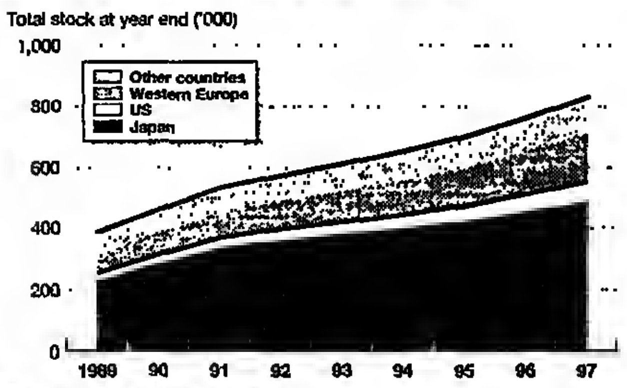
But in some countries machining is the most common application. In Japan 40 per cent of the robot stock is used for assembly, reflecting the large-scale use of robots in the electronic sector.

The potential for expansion of robotics is enormous. Numbers would explode if other industrialised countries were to reach Japan's robot densities and if industry in general were to reach only half the robot density of the motor vehicle sector.

If all industries in France and Britain had half as many robots as the motor industry in these countries, the robot stock would more than double. If it reached half the density of the Japanese motor vehicle industry, it would increase more than 20-fold.

*World Industrial Robots 1994: Statistics 1983-93 and forecasts to 1997. Sales No.GVE.94.0.24, UN Sales section, Palais des Nations, CH-1211 Geneva 10, $120

World stocks of industrial robots



Source: UN/ECE and IFR secretariats

Taiwan visit worries Tokyo

By William Dawkins in Tokyo

The Japanese government was yesterday suffering diplomatic discomfitnre over the activities of a visiting senior Taiwanese official at the Asian games in Hiroshima.

Five members of Japan's ruling Liberal Democratic party plan to meet Mr Hsn Li Teh, Taiwan's depnty premier, in Tokyo today in defiance of party instructions to shun all contact with him. The government wants to avoid offending China, a powerful ally, market and investment destination.

The meeting, while deliberately smaller than the grand dinner the pro-Taiwanese LDP politicians had originally planned, will anger China despite the Japanese government's attempts to prevent sports and politics from becoming entangled.

Japan cut official ties with Taiwan and opened relations with Beijing in 1972, implying acceptance of China's belief that Taiwan is still a Chinese-owned province. But a significant pro-Taiwan movement remains in Japanese national politics, making it uncomfortable for the government to take clear sides between Taiwan and China.

In an attempt to prove to China that Japan does not condone official contacts with Taiwan, Mr Yohei Kono, LDP president and Japanese foreign minister, yesterday cancelled a trip to the games next weekend. Chinese government objections to a planned visit to the games by Taiwan's President Lee Teng-hui led to his last-minute withdrawal and replacement by the depnty prime minister, who, it was hoped, would keep a low profile.

Mr Hsu rekindled the dispute over Japan's ambivalent attitude to Taiwan yesterday by claiming in a newspaper interview his visit had "a political meaning". A Japanese official accused him of a "breach of promise".

China plans reform of state enterprises

By Tony Walker in Beijing

China has unveiled a six-point plan to overhaul its ailing state-owned enterprises. The scheme aims at transforming government businesses into shareholding companies with management independent of official controls.

The China Securities newspaper quoted a representative of the State Economic and Trade Commission as saying that "substantial reforms of the state-owned enterprises have become vital for further economic development". But China's approach to enterprise reform has been faltering and change is being constrained by worries about unemployment among state sector workers.

These concerns have been exacerbated by the latest bout of inflation. Government attempts to bring prices under control seem to have deflected attention from reforms.

According to official estimates, approximately one-third of China's 11,000 large and medium state-owned enterprises loses money, another third is said to be breaking even and the remaining companies are profitable.

Western economists, however, doubt this assessment and believe the number of loss-making businesses is closer to one half with many of these enterprises virtually bankrupt.

The key element of the new reforms is a system to enable state assets to be evaluated and then sold. State-owned investment companies, holding companies or asset management companies will become shareholders and authorised to sell a portion of an enterprise's assets. Initially, the government will salect pilot enterprises for the reforms. About 100 enterprises have been earmarked for the programme.

The measures are also aimed at streamlining bankruptcy procedures to enable hopeless cases to be liquidated or sold off. This will be done under the new bankruptcy law.

The six-point plans also calls for establishment of an "effective" social security net to cover pensions and unemployment insurance. China's social welfare provisions are rudimentary, or non-existent.

Eighteen Chinese cities, including Shanghai, Shenyang and Tianjin have been included in the pilot programme.

Papua-New Guinea to float kina next week

By Nikki Tait in Sydney

Papua New Guinea, the resource-rich but economically troubled Pacific nation, is to float its currency, the kina, from next Monday. It will be the first time the currency has floated since the country gained independence in 1975.

The decision, announced yesterday by Prime Minister Sir Julius Chan, follows a 12 per cent devaluation in the kina less than a month ago. "At that time, the government was hopeful this devaluation would stop speculation and allow the kina to settle at a fair market rate," the prime minister said.

"Unfortunately, since Sept 11, there has been further speculation, culminating in recent days in a major attack on the kina...The government has decided it is no longer willing to pit the international reserves of the country against the seemingly unstoppable urge of international speculators to drive the currency lower."

Papua New Guinea's foreign exchange market closed with immediate effect yesterday and will not reopen until Monday. Local banks will provide limited foreign exchange for emergency purposes. From October 10, the kina's value will be set by five commercial banks, with the Bank of Papua New Guinea continuing to play a supervisory role.

Sir Julius, describiog the decision to float the currency as the most important since independence, acknowledged there could be short-term inflationary implications, causing wage pressures to mount in the medium term.

"Shortly after the float takes place, the country's finance minister will issue a statement setting government wages policy for public-sector employees," the prime minister added.

Papua New Guinea's problems had been mounting under the previous government, headed by Mr Paias Wiugti. The government deficit had been rising alarmingly. New mining and petroleum projects at Porgera and Kutubu provided extra revenue in the early 1990s, but their contributions are beginning to ease off.

Earlier this year, Mr Masket Iangallo, the former finance minister, warned PNG could be headed for bankruptcy if remedial action were not taken. He handed down a "mini-budget" last March, in an effort to redress the problem.

India to offer foreign stakes in state groups

By Shiraz Sidhva in New Delhi

The Indian government has announced partial disinvestment in sevan state undertakings, including two oil groups and a telephone services company, as part of its continuing disinvestment programme. This will allow foreign investors to bid for shares in public-sector enterprises for the first time.

Private companies, banks, financial institutions, mutual funds and registered brokers have been invited to bid for equity ranging from 2 to 20 per cent in some of India's leading public-sector companies.

Indian Oil Corporation, which owns six petroleum refineries and has a 3,850km pipeline network to distribute its petroleum products, will disinvest 5 per cent of its capital, or 18.4m shares.

The cash-rich Oil and Natural Gas Corporation, which has had a monopoly of oil exploration and drilling in India for decades, will disinvest 2 per cent of its capital.

Five per cent or 30m shares of Mahanagar Telephone Nigam, which controls telecommunications services in Bombay and Delhi, 5 per cent or 199.3m shares of the Steel Authority of India, which owns four integrated steel plants, 10 per cent or 28.2m shares of the Shipping Corporation of India, 20 per cent or 12.9m shares of the Container Corporation of India and 10 per cent or 49.1m shares of National Fertilisers would also be on offer.

A government notification said sealed tenders for the purchase of shares for a minimum amount of Rs25,000 (£500) would be accepted by the Department of Public Enterprises in the Industries Ministry between October 5 and 17. Earlier rounds of disinvestment have had limits of Rs20m for minimum bids, deterriog potential bidders.

Foreign institutional investors permitted by the Securities and Exchange Board of India to buy and sell shares in India will be eligible to bid, provided they fulfil conditions of purchase and ownership stipulated by the Securities Board. Non-resident Indians and overseas corporate bodies are also eligible to apply.

The government plans to disinvest up to 49 per cent of state-owned enterprises, and is doing so in phases, hoping to raise Rs40bn (£800m) in 1994-95. It raised Rs72.4bn in six rounds of disinvestment of public-sector companies between April 1991 and March 1994.

Cabinet reshuffle for Seoul

By John Burton in Seoul

Mr Hong Jae-hyong, South Korean fioance minister, was promoted yesterday to deputy prime minister for economic planning in a reshuffle of the country's ecoonomic ministries. He succeeds Mr Chung Jal-suk, who resigned due to ill-health 10 months after he was named to the post.

Mr Park Jae-yoon, senior presidential economic adviser, was named new finance minister; Mr Han Lee-hun, the vice-economic planning minister, will replace Mr Park. The three senior officials have been among the main architects of proposals to deregulate Sonth Korea's economy and promote financial liberalisation.

"The cabinet reshuffle has been minimised, to maintain current economic policy," an official said. Analysts expect little change in economic strategy, though the new team may try to speed reforms. Mr Hong has held various economic posts since 1963, and was formerly head of the Export-Import Bank of Korea and the Korea Exchange Bank before becoming finance minister in February 1993.

Indonesian army 'stays in politics'

By Manuela Saragosa in Jakarta

Indonesia's army will continue to play a political role in the country for a long time yet, senior military officials said in Jakarta yesterday.

At a meeting between foreign media and military personnel, Lt Gen H.B. Mantiri, chief of staff for general affairs, said the military's role in civilian affairs will "go on forever and ever".

The Indonesian constitution contains a legal basis for what is known as the military's "dual function", its civilian and military role.

"We are like shepherds," said Gen Mantiri. "Sometimes we are in the middle of politics, sometimes ahead and sometimes behind."

The military's emphasis on internal political affairs, rather than creating a professional army, has had its costs. Gen Mantiri admitted that the army was under-equipped when it came to defending Indonesia's many islands.

This was one of the reasons Indonesia had bought a fleet of 39 former East German warships, a controversial acquisition. "But even when these ships come, our equipment is still not yet up to the minimum standard because we have to cover such a big country."

The acquisition of the former East German warships was a hotly-debated topic between Mr J.B. Habibie, minister for research and technology, and Mr Marie Muhammad, minister of finance, who argued the purchase was too expensive.

Lively coverage of the argument which split the ruling élite prompted the forced closures of three popular general news magazines in June this year.

Former employees at DeTik, one of the magazines banned in June, have now joined a weekly newspaper called Simponi, which was launched on Monday this week. Asked if the military would allow this magazine to survive, Gen Mantiri said: "We hope it will live for a long time, but it depends on them. If, like the other three magazines, they do not heed our warnings, they may only last one day or one week".

Indonesia, which encompasses more than 13,000 islands and 187m people, has a long history of military involvement in politics. President Suharto, who has governed the country since 1967, was an ex-army general himself. The Indonesian military differs from other military forces in south-east Asia because its role in socio-political affairs is enshrined in the law.

A yonng Indonesian yesterday selling copies of Simponi – a relaunch of DeTik magazine which was banned in June Reuter

Increase of 54% over year ago

Manila $675m first-half surplus

By Jose Galang in Manila

The Philippines' overall balance-of-payments ended the first half of this year with a surplus of $675m, an increase of 54 per cent ovar a year ago, data released by Bangko Sentral ng Pilipinas, the country's central monetary authority, shows.

The favourable balance resulted mainly from a big increase in foreign investment inflows (up 82 per cent to $2.59bn) and a sharp fall in net short-term capital outflows (down 68 per cent to $165m).

This helped offset a rise in the merchandise trade deficit (up 42 per cent to $4.06bn), the central bank data said.

The current account ended the six months with a deficit of $1.62bn, higher by 38 per cent from the year before, because of the increased trade shortfall.

Merchandise exports came to $6.07bn ($5.18bn the year before) while imports reached $10.14bn ($8.05bn). Non-merchandise receipts amounted to $524m while payments totalled $57m. The increased flow of foreign investments combined with a net inflow of medium- and long-term loans of $674m to boost the non-monetary capital account to $3.1bn, the central bank said.

Philippioe economic officials believa the big growth in imports, which has led to the record trade deficits, has been brought about by acquisitions of electric-power equipment and manufacturing machinery.

Finance officials said the gap may be expected to narrow with the end to the power supply shortage in the country recently.

● Communist rebela killed eight of their comrades to stop them surrendering to the military in the southarn Philippines, the state-run Philippines News Agency said yesterday, AP reports from Manila.

New People's Army rebels ambushed their comrades in Siay, Zamboanga del Sur Province, 490 miles south of Manila. The government has initiated an amnesty, and pledged livelihood for those surrendering.

Iran's leaders try to stay a step ahead of critics

Inflation and debt overshadow economic reform advances, writes **Scheherazade Daneshkhu**

Most Iranians tend to subscribe to one of two explanations for their economic plight: that prices are kept deliberately high to keep their minds off politics; or that clerics are incapable of running an economy.

Such disaffection is a valuable political weapon in the hands of opposition groups. The latest denunciation of Iran's clerical rulers, headed by Ayatollah Ali Khamenei, the spiritual leader, came last week from a retired army general.

General Azizollah Amir Rahimi, who was made a general after the overthrow of the Shah in 1979, last week called for an end to censorship, the resignation of the government and free elections.

Gen Rahimi, a former commander of the Tehran military police, is one of a dwindling band of elderly Tehran-based opposition figures reluctantly tolerated by the regime – although they are arrested from time to time – mainly because it does not regard them as a serious threat.

Opponents of the regime also point to Iran's growing debt burden in recent years. The country had an unblemished payments record until 1992 when an import spree resulted in delays in payment of letters of credit.

The man widely held responsible for this and for falls in the value of the rial, Mr Hossein Adeli, stepped down as governor of the central bank three weeks ago, having seen out his five-year term despite fierce criticism by sections of the mojlis (parliament) and press. Before leaving office, Mr Adeli managed to organise the rescheduling of at least $8bn of Iran's total $20bn-$30bn debt.

New central bank governor has done job before

Critics of Mr Adeli's policies will not be heartened by his replacement – Mr Mohsen Nurbakhsh, economic adviser to Mr Rafsanjani and, until August last year, minister of economics and finance who was unseated after losing a vote of confidence in the majlis. He is returning to an old job – he was governor of the central bank from 1981-86 when he established a reputation as an able administrator.

Mr Nurbakhsh stressed that there would be no shift in direction in the central bank's policies and that he would be "making the least changes in rules and regulations.... I think that the changing of rules is an impeding factor in economic growth and development."

An economics graduate of the University of California, he said he intended to establish normal banking ties with other countries and to put banking services at the centre of the financial and business community, so that "there is little need for referring to unofficial networks and those operating outside the banking system".

Mr Nurbakhsh also said that he aimed to create a single exchange rate and on Sunday, he made a move in this direction by declaring transactions outside banks or authorised exchange houses illegal. Yesterday the Tehran daily, Abrar, reported dozens of arrests of illegal dealers.

A short-lived attempt at unifying the three main exchange rate bands was abandoned in May, after a steep fall in the exchange rate towards the end of last year. The free market value of the Iranian rial has fallen to one-fortieth of its value against the dollar since 1979 but the dollar's official exchange rate is 1,750 rials.

The fall in the rial's value has made exports more expensive but at the same time prices for oil, on which the state depends for more than 80 per cent of its foreign exchange, remain relatively low.

High inflation has been a persistent problem, exacerbated in the late 1980s by the central bank printing money to help the government meet its budget deficit. Last month, Ayatollah Khamenei again drew attention to the problem of inflation: "High prices have created problems for specific strata. I do not believe this problem is unavoidable. Officials should striva to solve the problems faced by these strata."

Politicians fear the political consequences

Mr Rafsanjani has been trying to shift part of the state's costly economic burden to the private sector. A government coupon system entitling everyone to basic necessities at low prices operates at a high cost to the state. However, Mr Rafsanjani's attempts to phase it out in favour of cash support for the needy are opposed by the majlis, which is worried about the political consequences.

Earlier this month, the majlis voted against cutting subsidies on food and medicine costing the government about $1.7bn a year. However, it approved in principle a rise in petrol and fuel prices, details of which will be debated next month.

Mr Gholamreza Aqazadeh, the oil minister is seeking a fourfold rise in petrol prices from 50 rials a litre (about 3 US cents at the official exchange rate) to 220 rials. The government says that oil subsidies cost it $11bn a year – almost as much as it expects to earn in oil revenues this year.

Attempts to attract foreign investment have been largely unsuccessful because of continually changing economic measures and shifts in economic direction.

However, late last month Nestlé, the Swiss food manufacturer, signed a joint venture agreement with a private Iranian company to establish a baby formula and infant cereal factory at a cost of SFr60m (£29.7m).

NZ hits 6.1% growth

By Terry Hall in Wellington

New Zealand's gross domestic product grew by 6.1 per cent in the year to June 30, one of the highest growth rates ever recorded, the prime minister, Mr Jim Bolger, said yesterday.

He said the growth was due to sound responsible management, solid export growth and increased investment. "It has been achieved without any artificial stimulation to the economy."

However, the GDP figure has aroused concerns that the economy may be overheating.

Interest rates rose sharply after the governor of the Reserve Bank, Dr Don Brash, told a parliamentary committee yesterday that the figure was much higher than expected and showed the economy was suffering from strong inflationary pressures.

Financial markets believe that Dr Brash, who is in charge of monetary policy, will shortly act to raise interest rates.

IMF pledges to remain tough lender

By John Gapper and Peter Norman in Madrid

Mr Michel Camdessus, managing director of the International Monetary Fund, yesterday emphasised that the IMF would not weaken its insistence on sound economic policies in countries to which it gives financial assistance.

Mr Camdessus told the annual meeting of the IMF/World Bank that this was "a responsibility we owe to our members in difficulty", in order for the IMF to preserve its role as a catalyst for other forms of investment.

The IMF would continue to adapt its instruments of financial assistance. He cited efforts to put together a package to help meet the needs of developing countries and those in transition from communism.

"The fund's endorsement of policies is what other creditors and donors look for before providing their own support. The fund's seal of approval must maintain its credibility, and we shall ensure that it will," he said.

Mr Camdessus said the fund's tasks of promoting exchange rate stability faced new challenges from the globalisation of financial markets which had sharply increased the risk of some countries being marginalised.

Strong surveillance of economic policies was essential because a global market meant a bigger risk of domestic policy mistakes in one country spilling over into othsrs, and increasing exchange rate volatility.

The fund would have to "further intensify our efforts" to promote current account convertibillty by eliminating exchange controls. Sixteen more countries had accepted their treaty obligations for this since last year.

Mr Camdessus said the role of the special drawing right (SDR) – the reserve asset that can be created by the IMF – should he the subject of an in-depth study, taking account of the development of the European currency unit.

Mr Camdessus thus signalled his continued interest in promoting ths SDR in the world monetary system.

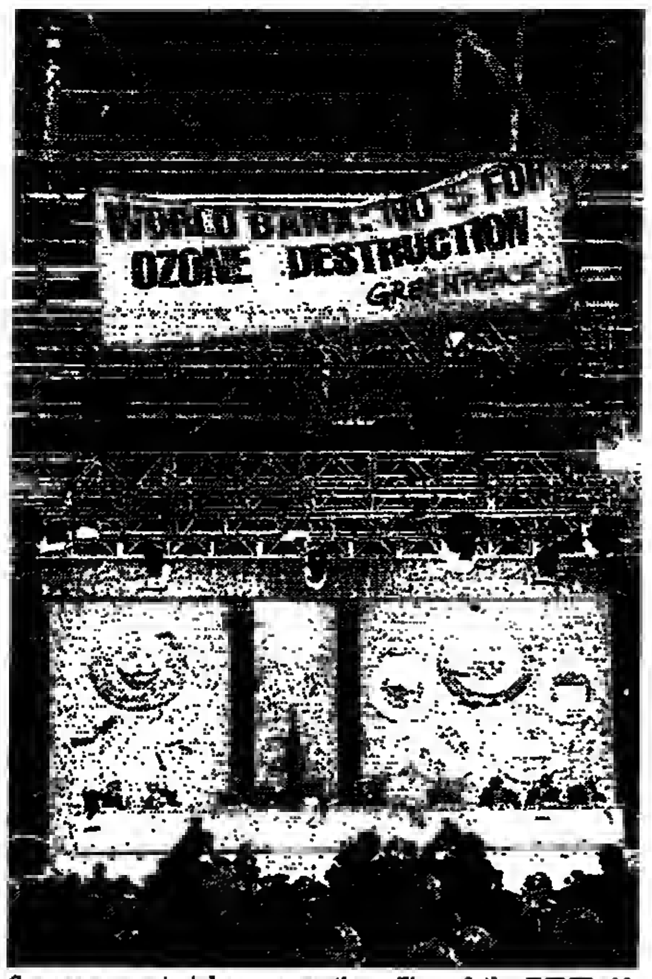
Predictably, yesterday's formal opening session of the IMF-World Bank meeting yielded no progress towards resolving the dispute between the Group of Seven industrialised countries and developing nations over an SDR allocation.

In spite of Mr Camdessus's opposition to the G7's plans on the SDR, the IMF managing director was given ringing endorsement by Mr Kenneth Clarke, the UK chancellor and one of the G7 finance ministers.

"I personally like and admire Mr Camdessus," the chancellor told a press conference. "I enjoy working with him, I like his enthusiasm, and he's a man who inspires one with his competence and technical grasp," Mr Clarke said.

In his speech to the meeting, Mr Lewis Preston, president of the World Bank, said that the bank had to be more selective in its assistance, tailoring it to the needs of countries, and focusing on issnes where it would have the most impact.

The bank also had to collaborate more effectively with its partners, including the non-governmental organisations which took part in half the projects supported hy the hank last year.



Greenpeace protest banners on the ceiling of the IMF/World Bank conference yesterday after participants were showered with fake dollar bills. The incident, during a speech hy Spain's King Juan Carlos, angered officials who had allowed the eovironmental group unprecedented access to the meeting Picture Reuter

Lesson in north-south row

Ties between G7 and the rest have to improve, writes Peter Norman

Some good may yet emerge from this week's failnre of members of the International Monetary Fund to agree an increase in world monetary reserves.

The stand-off in the talks on a proposed allocation of the IMF's own reserve asset – known as special drawing rights – exposed such a gulf between the hig industrialised nations and the developing world that policy makers have begun considering improving methods of communication and co-operation between the two sides.

Immediately after the meeting, Mr Kenneth Clarke, the UK chancellor, complained that decision-making processes of the IMF's policy-making interim committee could be improved.

Since the acrimonious break up of the talks, officials from tbe Group of Seven leading industrial countries have been pondering how the two sides in such a long arranged meeting could go into negotiations without a proper understanding of the strength of the other side's position.

Part of the problem, according to one senior G7 official, is that the level of official communications between the industrialised nations and the so-called developing countries no longer reflects the growing importance of many nations in Asia and Latin America.

G7 monetary officials have had 20 years of increasingly intensive collaboration among themselves. The preparations for the annual economic summits, the regular meetings of G7 finance ministers, as well as frequent meetings in committees run hy the Organisation for Economic Co-operation and Development (and in the case of the European G7 countries in the European Union), have created a nexus of contacts. Seniors officials in the G7 finance ministries and central banks talk by telephone practically every day.

The industrial countries need to respond to the growing economic importance of developing countries

There are ties between G7 and developing nations hut they are far less intense. Partly for this reason, officials helieve, the developing nations were tco willing to believe that Mr Michel Camdessus, the IMF managing director, could deliver a general allocation of SDRs on Sundsy and so rejected tbe G7 offer of a smaller, one-off selected increase.

One problem is working out suitable forums for greater co-operation. There have been suggestions that the deputy finance ministers of the countries represented on tbe interim committee should confer ahead of its meetings to help resolve issues. Tbe G7 deputies meet frequently in this wsy and their co-operation is said to be one of the main reasons for the relatively smooth running of the group.

However, the interim committee is a much higger group witb 24 members, prompting fears that meetings of interim committee deputies would be unwieldy and unproductive.

Such ideas were starting to circulate among officials even before Sunday's débâcle showed how the G7 cannot dictate to the developing world.

Officials say the industrial comtries need to respond to the growing economic importance of the developing countries. They are growing rapidly: the IMF bas forecast that as a group they will expand at twice the rate of the industrial countries this year and next.

They are becoming increasingly integrated in the world economy. Tbe General Agreement on Tariffs and Trade predicted this week that the developing nations would boost their trade far more as a result of the Uruguay Round liberalisation measures than the OECD countries.

Many developing countries, sucb as China, Mexico and Argentina are regional powers. Following Sunday's events, there are also strong damage-control grounds for promoting closer links.

The developing nations have shown a remarkable willingness to apply the lessons of markel-driven economics over the past decade. Many now appear to be more enthusiastic free-traders than hig industrialised nations. The ideological differences that used to divide north and south have largely disappeared. An important reason for officials from the G7 and other industrialised nations to strengthen their ties with developing countries would be to head off any revival of the north-south divisions of the 1960s and 1970s.

Visitors' advice upsets the hosts

By David White and Tom Burns in Madrid

The Spanish bosts have taken offence at some of the robust economic advice banded ont hy IMF experts.

Members of Spain's moderate Socialist government, donbtless feeling the pressure from large-scale street demonstrations against the two international bodies and their impact on developing countries and the environment, hit out at the "ultra-liberal" IMF recipes proposed for Spain's own economy.

Recommendations pnt forward by IMF experts at the weekend included freedom of companies to hire and fire workers and cuts in pensions and other social benefits.

Spain earlier this year introdnced measures to ease the notoriously strict rnles governing redundancies, but is relnctant to incur further wrath from trade unions by pushing its reforms further at present.

Mr José Antonio Griñán, labour minister, said it was "shameful and wrong" to present as scientific truth something that was "no more than political opinion". Junior employment minister, Mr Marcos Peña, used stronger language, calling the proposals "financial fundamentalism".

Mr Cándido Méndez, leader of the UGT trade union, said the ideas were just "stupid". Even the conservative opposition Popnlar party said the proposals for unrestricted hiring and firing were "excessive". Only Mr José María Cuevas, head of tbe CEOE employers' federation, said snch measures were "absolutely necessary".

Mr Jorge Hay, gensral manager at Banco Central Hispano and a former World Bank official, said he could not understand tbe criticism, saying Spain was a successful example of the services provided by the two institutions.

"Spain owes a lot to the IMF," he said. "The first milestone marking the modernisation of the country was the IMF mission of 1959; we have subsequently had two standhy agreements.

"The World Bank has given Spain a dozen loans that in current terms would be wortb $2bn (£1.2bn) and which bave helped Spain rebuild its infrastructure and develop agrarian projects and ednCation."

Incentives rise for private investors

By Andrew Taylor, Construction Correspondent

FT Conferences

The World Bank intends to increase sharply the financial guarantees it makss available to commercial lenders and private investors to encourage greater private investment in infrastructure.

Dr Ashoka Mody, principal financial economist at the bank's Project Finance Group, said yesterday that partial credit guarantees would allow projects to repay commercial loans over a longer period and provide insurance against government agencies failing to meet contractual obligations.

Dr Mody's comments at a Financial Times conference on international infrastructure finance in London represent an important policy shift hy the bank which previously has lent mainly to govsrnments and their agencies.

The bank has outstanding loans of $104bn (£65.8bn) compared to financial guarantees to private sector lenders covering just $1bn of loans. Dr Mody said that the bank's executive directors intended to step up the use of guarantees for private capital projects, making them "a mainstream instrument of bank operations."

About $200bn a year was spent on infrastructure, of whicb less than $15bn came from private sources. This proportion was expected to rise sharply as governments found it increasingly difficult to finance large-scale projects out of public funds.

Dr Jacques Rogozinski, president of Banco Nacional ds Obras y Servicios Publicos (Banobras), the Mexican state-owned public works bank, wanted the World Bank to provide direct investment to private infrastructure projects as well as financial guarantees.

The Chinese anthorities are understood to have agreed to increase the rates of return availahle to private sector investors in infrastrncture projects in China. Mr John Mobshy, head of project finance at W S Atkins, the UK engineering consultant, told the conference that the rate of return was likely to be raised to around 15 per cent.

India to set up cellular phone system

By Stefan Wagstyl in New Delhi

Eight telecom groups, each with a foreign partner, have been awarded licences to operate cellular telephones in India's main cities from April next year.

After two years of legal and bureaucratic argument, Mr Sukh Ram, communications minister, announced the award of licences for Bombay, Delhi, Madras and Calcutta. He ordered his officials to ensure all formalities were completed by March 1995, so that services could start in April.

The decision, following the announcement of rules for the entry of private companies into basic telephone services, indicates that Mr Sukh Ram and his civil servants are ready to implement market-oriented reforms in an industry monopolised by the state.

In addition to the licences for the four cities, the government plans to award licences for a further 18 regions, roughly corresponding to India's states, in the next few months. Fifteen private groups have also been given permission to operate radio paging services in 27 cities.

With some reluctance, the ministry has admitted that the government, with its limited resources, cannot provide the huge investment needed in Indian telecommunications. In basic services alone, the government is seeking up to Rs230bn ($7.3bn) investment from private companies. In cellular networks, the total could run to Rs50bn.

The most sought-after cellular telephone licences, for Bombay, have been awarded to Hutchison Max Telecom, a company backed by Hutchison Telecom of Hong Kong, and to BPL Systems and Projects, a venture supported by France Telecom, the French carrier.

Contract winners in other cities, with the names of overseas partners in brackets are:

Delhi: Bharti Cellular (SFR of France) and Sterling Cellular (Cellular Communications International of the US);

Calcutta: Usha Martin Telecom (Malaysia Telecom, the Malaysian carrier), and Indian Telecom (OTC of Australia);

Madras: Skycell (Bell South of the US) and Mobile Telephone (the UK's Vodaphone).

The big loser is Tata Cellular, a venture promoted by Tata, India's largest industrial grouping, and Bell Canada of Cansda, which has not succeeded in securing any licences. Mr Sukh Ram said Tata had failed to meet the ministry's technical and financial conditions.

The winning bidders expect to start placing orders soon. "It's been a long and bitter battle to get the contracts. Most of us expect to begin services in April or May," Mr Sunil Mittal, managing director of Bharti Telecom, said.

Businessmen are delighted that India finally looks likely to get the benefits of cellular telephones. A bank executive in Delhi yesterday said: "It will make life much easier."

Cellular telephones in developing countries are especially useful because they can bypass the inefficient basic network. In Pakistan, for example, cellular telephones have virtually become a substitute for basic services among those who can afford them.

In India, handsets will be imported and will cost about Rs25,000 ($796) each.

● India said yesterday its dispute with US over an American ban on imports of Indian rayon chiffon skirts had been resolved, writes Shiraz Sidhva in New Delhi.

The Indian government said it had established a testing and certification programme to ensure that all rayon chiffon skirts exported to the US complied with US flammability standards.

India exported more than Rs1bn worth of the skirts to the US last year.

Japan resigned to rice liberalisation

Even once-vociferous farmers are ready to swallow Gatt reforms

By Michiyo Nakamoto in Tokyo

The Japanese government is expected soon to submit legislation to implement the Uruguay Round trade treaty to an extraordinary session of the Diet, paving the way for ratification of the trada agreements by the beginning of next year.

Having just manoeuvred through one round of contentious trade talks with the US, Japanese officials are relieved thet their task of implementing the Uruguay Round agreements has not been as difficult as in either the US or the EU.

Japan made substantial offers in the Uruguay Round negotiations to reduce tariffs by a weighted average of 61 per cent on industrial and mining goods and, more controversially, to open up the country's long-protected rice market to imports from 1995.

Tariffs on eight sectors from pharmaceuticals and construction equipment to distilled spirits are set to be eliminated, while import restrictions will be lifted on agricultural products ranging from silk-worm cocoons to dairy products.

After years of jealously guarding its inefficient rice market, the government also agreed to allow imports from 1995. But in spite of the initial hullabaloo over opening the country's rice market, government officials are confident that the revision of domestic laws necessary to implement the Uruguay Round accord will pass the Diet without incident.

"Things are proceeding as scheduled," confirmed on official at the Ministry of Trade and Industry, which has authority over many of the industrial sectors which will be affected by the new legislation.

Even Zenchu, the Central Union of Agricultural Co-operatives, which has been vociferous in its opposition to opening the country's rice market, is resigned to the prospect of liberalisation.

"We are against the contents of the Uruguay Round agreement, but we are not planning to stand in the way of ratification," says one Zenchu official.

"Ratification will aggravate the critical situation facing Japanese farmers but we expect the government to keep to its promise to ensure thet farmers do not suffer as a result of the agreement."

As in other issues, the Japanese aversion to discord and fear of appearing to be out of line is apparently helping rally support for passage of Uruguay Round legislation. The bills, which cover 15 areas, are expected to be presented to the Diet as a package to facilitate passage, and nobody, not even angry farmers, wants to be blamed for preventing Japan from living up to its international commitment.

The government agreed to liberalise many markets and "the agricultural sector alone cannot expect to receive special treatment," the Zenchu official said.

Although some diehard politicians from farming communities may still find liberalisation of the rice market hard to swallow, the standard line from the leading political parties is that this step cannot be avoided.

The opposition includes many members of the then ruling coalition which was responsible for endorsing the Uruguay Round agreement in the first place.

There is, however, one possible hitch. While there is general agreement thet liberalisation of the rice market is inevitable, discord over the revision of Japan's Staple Food Control Act could become an obstacle to smooth passage of the entire Uruguay Round legislature package.

In order to live up to its Gatt promise on rica, Japan will have to revise parts of the Food Control Act.

Recent changes in the rice market, meanwhile, have triggered a long-needed move to revamp this 1942 law aimed at keeping the rice market under government control, which has created severe anomalies in the market.

A full revision of the Food Control Act is far more controversial than the limited steps that are required to fulfil Japan's Gatt obligations. Inability to reach agreement on the first issue could in turn, stymie the government's Uruguay Round effort.

"If that happens," says an official at the Ministry of Agriculture, Forestry and Fisheries, "it might become difficult to implement necessary legislation before Jannary 1. That is a major concern for the ministry."

So far, such dangers are limited. An advisory committee to the prime minister has already pronounced on the need to reform the Food Control Act. The three parties in the ruling coalition have been locked in lengthy discussions on the issue and even went through an all-night session late last month to co-ordinate their views.

Japanese aversion to discord and fear of being out of line is helping to rally support for Uruguay Round legislation

Vallance: struggle to enter Japanese telecom market

Japan needs to open its telecommunications market to international competition and remove the barrier between domestic and international businesses if it is to meet the changing telecommunications needs of users, Sir Iain Vallance, chairman of BT, said in Tokyo yesterday, writes Michiyo Nakamoto.

As a result of tight regulation of its telecoms market, it was a struggle for international telecommunications operators such as BT to provide end-to-end services for customers in the region.

The British telecommunications company has been seeking to provide voice telephony to corporate customers in Japan but has been hindered by regulations, Sir Iain said. At the same time, NTT, the Japanese domestic telecoms operator, is not allowed to provide international services, preventing a direct link-up with BT. Instead, BT had linked up with an NTT subsidiary to provide global communications services. The high degree of regulation was also denying Japanese users the full benefits of new services and competitive pricing, Sir Iain warned.

The Japanese government may decide next year whether to break up NTT and encourage competition.

Gatt panel to rule on US-Venezuela dispute

By Frances Williams in Geneva

The governing council of the General Agreement on Tariffs and Trade yesterday agreed to set up a disputes panel to rule on a Venezuelan complaint that US rules for reformulated gasoline discriminate against imports.

In a meeting dominated by trade issues involving the US, Washington bowed to a separate panel ruling against local-content requirements for tobacco used in US-made cigarettes. However, it continued to resist pressure by other nations for adoption of a controversial panel judgment against its embargo on imported tuna.

Venezuela's complaint relates to rules on certification of imported gasoline which it claims use a less favourable methodology than that used to certify domestically refined gasoline. Venezuela also claims that under the rules some exporting countries receive preferential treatment, breaching Gatt's non-discrimination rule.

Mr Alberto Poletto, Venezuelan trade minister, said yesterday that the new certification rules, adopted last December by the US Environmental Protection Agency, could reduce the value of his country's exports to the US of $478m last year by at least $150m. The rules would also reduce the return on a $1bn-plus investment programme Venezuela has launched to upgrade its refineries.

At the same meeting, the Gatt council adopted a disputes panel report which found against a US law requiring US-made cigarettes to contain at least 75 per cent US-grown tobacco. The US said yesterday it would accept the ruling, and measures to implement it have been attached to the legislation for the Uruguay Round trade accords.

Washington continues to resist adoption of a panel report which says the US is violating Gatt rules by imposing an embargo on tuna from countries whose tuna fishing nets kill too many dolphins. Yesterday, in spite of overwhelming support for adoption among trading partners, Mr Booth Gardner, US ambassador to Gatt, said only he would report their views to Washington.

Among other items on yesterday's agenda the council:

● Took note of a working party report on the European Union's Lomé Convention with African, Caribbean and Pacific nations, which failed to reach consensus on its Gatt consistency. The US and Canada again called for the EU to seek a specific waiver for the Convention from Gatt rules;

● Agreed to pursue consultations on a US proposal to make most Gatt documents public.

World Trade Digest

Japanese group to lift EU output

Mitsubishi Motors, the Japanese vehicle maker, is considering expanding production at a plant it is building in the Netherlands as a joint venture with Volvo of Sweden.

This follows a decision by the European Commission to allow more Japanese vehicle exports to the EU.

Mitsubishi Motors and Volvo will begin production of smallcars at Netherlands Car next year, to reach an annual capacity of 200,000 by 1997, Mitsubishi said.

In the past year, the company has seen a decline of about 10 per cent in exports to Europe, which it blames in part on the sluggishness of the market and the strong yen. It aims eventually to make locally up to half the cars it sells in Europe. *Michiyo Nakamoto, Tokyo.*

■ Fiat Auto plans to produce a small car similar to the Uno in Brazil for South American markets. Fiat will invest L1,000bn ($642.7m), mostly at its Bel Horizonte plant, to produce 1,000 units a day or 250,000 a year by 1996. *AFX, Paris*

■ FLS Industries of Denmark, the leading global supplier of cement mills and machinery, said its US unit, Fuller, had won an order worth about Kr400m ($67m)to supply a 7,500 tonne-a-day production line to the Indian company Sanghi Industries. *AFX, Copenhagen*

■ Lucas Industries has won a second car contract for its EPIC electronic diesel fuelling system. The contract, with French car group, PSA, the largest car manufacturer in Europe, follows EPIC's debut on the Mercedes C22OD last year. It will be fitted to Peugeots and Citroens. *Extel, London*

■ British group Courtaulds Textiles has secured agreement to set up a $20m knitted fabric operation in Nanjing, China. *Reuter, London*

Move against insider dealing

By Robert Peston

The London Stock Exchange proposed yesterday that trading in individual companies' shares should be suspended if there is evidence that price-sensitive information concerning those companies has been leaked.

The controversial measures are part of its campaign to minimise the effects of insider trading on investors' confidence in the market.

The schema was the brainchild of the exchange's new chief executive, Mr Michael Lawrence. It was prompted by the four-day delay between a surge in the share price of Portals, the maker of banknote paper, and the company's announcement that it had received a takeover approach last May.

In that period, 854,000 Portals shares worth £5.7m were traded at around 666p. However, after Portals announced the takeover talks, the shares surged to 805p, so anyone who had sold in the preceding days had missed more than 100p per share of profit.

Yesterday's exchange document also contains a tentative suggestion that it should be able to force stockbroking firms to "reverse" or cancel share transactions when it believes the transactions have been "carried ont with the benefit of unpublished price-sensitive information".

The exchange said: "This would serve as a strong deterrent as the gain from such illicit transactions would be lost."

However, Mr Lawrence is concerned that he might be accused by the government of attempting to introduce civil sanctions against insider trading by the back door, after its decision last year to persevere with a criminal law system for pursuing insider trading.

In relation to tha new system of suspending shares after a leak, Mr Lawrence said: "I hope it all can be implemented." He acknowledged it might meet initial opposition, because it appears to reverse the exchange tradition that continuous trading in shares be maintained at all costs.

He said he was determined to make the market a fairer place, where those without access to unpublished price-sensitive information are not severely disadvantaged.

Under the proposed arrangements, parameters would be set for "normal" price fluctuations in the shares of every company. If a share price moved outside that band, a warning would be flashed to market participants on the Seaq trading system.

At the same time, market makers, the wholesalers of ahares, would be absolved of their obligation to deal at the price shown on the Seaq screen.

Once the alert had been transmitted, the exchange would investigate whether the movement did indeed reflect the leakage of information.

If the exchange discovered that the company was abont to raise new capital or was in merger talks, it would call a halt to trading in its shares for 24 hours. If no announcement was forthcoming, a longer period of suspension would follow.

Parts suppliers warned on Japan

By John Griffiths

Britain's motor component makers were warned yesterday that their Japanese rivals are improving quality and productivity at more than twice the average UK rate.

They were warned at a seminar backed by the Department of Trade and Industry as part of a two-year initiative that most British suppliers will never catch up with the Japanese unless they make "fundamental changes" to their business practices.

The companies have been taking part in a DTI "learning from Japan" initiative. Under the scheme teams of senior exectives from the components sector have spent weeks in Japan studying tbe work practices of suppliers to the Japanese assemhly lines of Nissan, Toyota and Honda.

As part of the DTI initiative, the relative performances of the Japanese and British components sectors are being benchmarked by consultants Andersen Consulting.

Ms Betty Thayer, the partner witb the Andersen Consulting who is most closely involved with the initiative, warned suppliers: "On average, world-class Japanese suppliers are improving their performance by more than 50 per cent a year compared to less than 25 per cent on average [for the UK industry]."

Component makers form one of the largest elements in the UK's manufacturing economy, with turnover estimated at £15bn a year and £3bn in exports.

Ford to put two plants on short-time

By John Griffiths

Workers at Ford's Halewood and Dagenham car plants are to go on short-time for the rest of this month, taking a total of 8,000 Escorts and 2,000 Fiestas out of production.

Ford put most of the blame on a weaker than expected UK market. But its main rivals said they had no plans to take similar action and dismissed speculation that the move might indicate a faltering of UK economic recovery.

Ford is to review its decision towards the end of the month, when it is expected to extend short-time working into November, and possibly to the end of the year.

Retail motor trade leaders believe that Ford, UK market leader, has been particularly hard hit by the industry's optimistic forecast of the likely size of the annual August sales "bulge".

Most of the UK trade and industry had expected the August market to reach 500,000 units, a figure matching the record of 1989, but it reached only 452,000. Motor traders claim that many of these "sales" were pre-registered by manufacturers or their dealers and, as a result, have yet to find final buyers.

The miscalculation means that there are approaching 100,000 excess new cars in the industry's supply pipeline, Mr Alan Pulham, head of the National Franchised Dealers' Association, said last night.

He described the excess as a "blip we have to go through; I don't think we have an underlying economic weakness".

Unlike most of its big rivals, Ford has been unable to compensate for weaker UK sales through higher exports to continental Europe, where recovery is gathering pace.

Ford's Halewood plant will bear the brunt of the cuts in hours. Its 5,000 employees are to work for three days a week until the end of the month, losing output of 800 cars each day. Although the Escort is the UK's best-selling car, Halewood supplies the UK market solely. A small proportiou of its Escort van production is exported.

The Dagenham plant, whicb makes Fiesta cars and vans, will lose a total of two days' production this month, amounting to a total of 2,000 cars and vans. It has not been so badly hit because it exports about a third of its output to continental Europe.

In spite of the August setback, most industry forecasts suggest tbat the total market this year will exceed 1.9m, well up on last year's 1.78m.

Vauxhall, second in the UK market, said yesterday it has no plans to cut production. Peugeot Talbot is raising production at its Ryton plant near Coventry from 1,600 cars a week to an expected 2,000 by the end of the year.

Lex, Page 18

Dairy farmers angered by milk board's threat

By Alison Maitland

Farmers' leaders yesterday attackad the Milk Marketing Board for threatening to deduct millions of pounds from milk producers' ravenue to finance daregulation of the market in November.

The board said it had not yet received writtan loan agreements from its banks for the £30m it needs to wind up its operations and establish Milk Marque, tha voluntary producers' co-operative that will succeed it.

In a letter to the 28,000 dairy farmers in England and Wales, it warned: "As a matter of prudence, in the unlikely event that the financing arrangements do not come to fruition, then it will be necessary to deduct up to 4p per litre for October supplies."

The National Farmers' Union said a levy of this size would raise £37m, equivalent to about £1,000 for an average farmer with 70 cows. Sir David Naish, NFU president, was seeking urgent clarification from the board about when the money, if deducted, would be repaid.

"For the past 18 months the MMB has assured ns that financial arrangements for the scheme of reorganisation were in place," he said. "Had we known this was not the case, we would hava insisted that this problem be dealt with much earlier."

Many farmers were shocked at the threat, especially those who have chosen to sell direct to a dairy company rather than through Milk Marque, from November.

Mr Chris Wood, a Cumbrian producer, said the board's levy would cost him £1,600. "Why should I finance somebody else's business?" he asked.

Mr Andrew Dare, the board'a chief executive, blamed the delay in finalising the bank loans on uncertainty caused by the Dairy Trade Federation's unsuccessful High Court challenge to deregulation last week.

But he admitted the loans were needed because the flotation of Dairy Crest, the board's processing arm, has been postponed.

Mr Dare said he hoped the loans would be agreed in the next fortnight and insisted that a levy on farmers was "very remote." But he indicated that, in the event of a levy, the money would not be repaid.

"It's a financing of the schema, it's not a loan," he said.

Mirror chief nabs Sun rival

By Roderick Oram

"Gotcha!" The Mirror Group nabbed Kelvin MacKenzie yesterday, hauling on board the former editor of The Sun who revelled for years in being rude about his tabloid competitor.

Mr MacKenzie, with only seven months' television experience under his belt when be quit BSkyB, the satellite broadcaster, in August, is joining the Mirror Group to head its budding television interests. These consist of a 20 per cent stake in Scottish Television and the promised launch of Live TV, a new cable channel, in 1995.

He will report to Mr David Montgomery, Mirror Group's chief executive and a man over whom he has poured volumes of vitriol since they parted company at the Sun 13 years ago. They last worked in close proximity at the Wapping headquarters of Mr Rnpert Murdoch's News International group where they edited sister newspapers.

"Kelvin in a major force in tha British media and with his unique background and recent broadcasting experience will add dynamic leadership to our now well-developed framework for TV entry," said Mr Montgomery.

"This is a terrific challenge and I can't wait to get on with it," said Mr MacKenzie.

So why is Mr Mackenzie joining the Mirror?

"Kelvin has told me there is only one reason for life," Mr Roy Greenslade, a former Daily Mirror editor and Sun executive, said. "Get Sam Chisholm."

Mr MacKenzie blamed his departure from BSkyB on a personality clash with Mr Chisholm, its chief executive.

Punishment beatings may delay IRA peace talks

By Stewart Dalby in Belfast, David Gardner in Brussels, George Graham in Washington and David Owen in London

The continuing usa of punishment beatings in republican areas of Belfast – thought to be the work of the provisional IRA – could delay the start of talks between London and Sinn Féin, tha IRA's political wing.

A British official yesterday warned: "All military activity may have stopped, strictly speaking, but the violence in republican areas is continuing. We have to consider whether this is terrorism by another name."

London has promised to begin a dialogue on how to admit Sinn Féin to political talks on Northern Ireland's future within three months of a end to IRA violenca. Tha emergence of a possibla new obstacle to the peace process coincided yesterday with mixed signals on the prospects for large-scale financial aid for the province to help smoothe the path to a settlement.

Mr Dick Spring, the Irish foreign minister, said the European Union should decide by Christmas on whether to make new grants of aid.

The "peace grants" would be in addition to EU funds already committed to the province, he said after briefing EU foreign ministers on recent davelopments with Mr Douglas Hurd, his UK counterpart.

Specific sums were not mentioned yesterday but Mr Spring said he expected December's Essen summit of EU leaders to agree a substantial package.

In the US, Clinton administration officials have been trying hard to lower tha level of expectations.

"I don't think any large assistance package of direct aid is on the cards. We just don't have that kind of budget flexibility," a senior administration official said.

The White House is examining less direct forms of aid, such as enhancing the role of the Overseas Private Investment Corporation.

A further three beatings came to light this week, taking the total since the IRA ceasefire on August 31 to 10 in republican areas. In the same period last year there was only one punishment beating.

The provisional IRA has not admitted it is responsible for the beatings but the Royal Ulster Constabulary is convinced that it is.

US nurses Adams' pride

The Sinn Féin leader has been given a warmer welcome than planned, writes **George Graham**

The Clinton administration this weekend decided to aalva Mr Gerry Adams's pride and salvage his two-week tour of the US with a last-minnte upgrade to the level of its contacts with him.

Until last Friday, the Sinn Féin leader had been scheduled to meet the State Department's director of the office of Northern European affairs, and to "bump into" Ms Nancy Soderberg, the staff director of the White House National Security Council, at a dinner party hosted by the Washington correspondent of the Irish Times.

But after Mr Adams balked at this relatively low level of meeting, his US sponsors, led by Mr Edward Kennedy, raised the pressure on the White House to give Mr Adams a more effusive reception.

Mr Adams's need for a symbolic victory has baen increased by the moderate success of his US tour so far.

During his February visit, Mr Adams was front-page news – be is now relegated to the inside pages and the local press, and has received much tougher questioning from US journalists this time.

While sticking to the letter of its promise to the British government that there would be no meeting at the White House and no meeting with Mr Bill Clinton, the president, Mr Al Gore, the vice-president, or Mr Anthony Lake, national security adviser, the White House obliged.

Mr Adams's State Department host was upgraded to deputy assistant secretary John Kornblum; Ms Soderberg and Mr Leon Fuerth, the vice-president's national security adviser, were added to this formal meeting; and Mr Lake conveyed the decision in a letter that annoyed British officials with its praise for Mr Adams as a "harbinger of peace".

To cap it all, the White House decided that Mr Gore should personally announce tha ending of a 25-year US policy barring official contacts with Sinn Féin in telephone call to the home of Mrs Ethel Kennedy, widow of Robert Kennedy, where Mr Adams was staying.

"We felt this was a fairly historic decision, and a decision of that level should come from the vice-president," a senior administration official said.

Although British officials sought publicly to play down tha impact of these upgrades, arguing that Mr Clinton had kept his promise not to allow a White House meeting, private reactions have been much more caustic.

The upgrades probably say less about US policy towards Sinn Féin, or even about the political clout of Mr Adams's sponsors, than they do about the weakness of tha Clinton administration in general, and in foreign policy in particular.

They will do nothing to dispel the view prevailing among the US's allies – not just the UK – that the president remains incapable of making and sticking to a decision, and is likely to cave in to the last faction to shout at him.

Navertheless, they have reinforced suspicions that the US is seeking not just to support the peace process begun by the British and Irish governments, but to play a role in steering it.

"This administration needs to be careful in its contacts with Northern Ireland. One must be extremely careful not to intrude in a family quarrel," warned Dr John Alderdice of the centrist Alliance Party, whose visit to Washington coincided with Mr Adams's, and who was received at a higher level – by Mr Peter Tarnoff, under secretary of state for political affairs and the State Department's number three official.

US officials deny any intention of interfering. "We don't have an agenda for how to solve the problem. We don't hava a blueprint," a senior administration official said.

But the White House has alarmed some in Northern Ireland and in the British government by promising in a press release to continue its dialogue with Sinn Féin through its consulate general in Belfast and its embassy in Dublin – where yet another member of the Kennedy clan, Mrs Jean Kennedy Smith, is US ambassador.

There is talk of another high level Sinn Féin visit next month and administration officials have even refused to say that they would continne to deny visas to IRA members.

They say that future visa decisions will be decided case by case, but that the distinction between the IRA and Sinn Féin will become increasingly irrelevant as the ceasefire continues.

One senior US official said: "Our view has always been to eschew anyone engaged in violence and that remains policy. But our hope is there would be no need for paramilitary organisations of any kind."

NEWS: THE GOODA WALKER JUDGMENT

Spiral that got out of control finally unwound

By Richard Lapper

The end of one of the most spectacular boom and bust episodes seen at the Lloyd's insurance market is in sight following yesterday's court victory by Gooda Walker Names.

The Names were among about 4,000 whose assets supported syndicates managed by the Gooda Walker agency between 1987 and 1990. Many were among the least wealthy ever sucked into Lloyd's. Yet their overall losses amount to more than £1bn, more than 13 per cent of the losses suffered by Lloyd's since 1988.

Gooda Walker's managing agency administered a range of syndicates, which originally specialised in aviation and marine business.

During the 1980s they expanded into a specialist area of reinsurance – the "spiral". Its underwriters covered high-level risks underwritten by other syndicates and companies. Its members' agency earned fees by placing Names on Gooda's own and other syndicates.

Gooda's syndicates earned respectable profits during the mid-1980s when there were relatively few catastrophe losses. In 1986 one of its biggest syndicates ranked seventh out of 102 non-marine syndicates.

While syndicates in other sectors of the market grew relatively slowly in an increasingly competitive international marketplace Gooda expanded its reinsurance activities. Names, many new to Lloyd's, flooded onto the syndicates and Gooda's capacity – its ability to accept premiums – increased sharply, from £47.9m in 1983 to £270.4m in 1988.

Names on syndicate 290 jumped from 713 in 1983 to 3,163 in 1989. Many newcomers came directly from Gooda's own members' agency.

As other syndicates and companies were attracted to booming "spiral" business, rates charged by underwriters fell. With premium income inadequate, the syndicates were vulnerable to a string of large catastrophe losses, triggered by 1987's storms.

Gooda's syndicates were overwhelmed by losses from the Piper Alpha explosion in July 1988, Hurricane Hugo in September 1989 and the European storms of January 1990.

The businesses limped on through 1990 and part of 1991 but were eventually forced into liquidation. All its syndicates ceased to trade and the affairs of its Names were transferred to other agencies. In June 1992 it emerged that Mr Tony Gooda, formerly chairman of the members' agency, and himself a Name, had applied to the Lloyd's hardship committee for help to meet his losses.

In late 1992 a Lloyd's internal review found that management deficiencies and poor underwriting were at the heart of the syndicates' difficulties.

Michael Deeny

Award unlikely to prompt flood of new actions

By Richard Lapper and Ralph Atkins

Lossmaking Names have won an apparently emphatic victory against the professional members agencies' who advised them and placed them on the ill-fated Gooda Walker syndicates. But the impact on the insurance market as a whole is likely to be limited.

The verdict will encourage other aggrieved members, particularly those whose syndicates specialised in the kind of reinsurance business favoured by the Gooda agency. It is unlikely to open the floodgates for further actions, however.

Most of the more than two dozen cases filed stem from the more than £7bn of losses suffered by Lloyd's between 1988 and 1991, and with it now apparently trading profitably – profits of up to £1bn for the 1993 underwriting year are expected – active Names have relatively few grievances.

Nor does the award provide unqualified encouragement for every other legal action involving past losses by Names. This is for a number of reasons.

● By grabbing a sizeable share of the insurance funds available for compensation payments, the Gooda Names may well have left other action groups pursuing legal battles with the prospect of rapidly diminishing returns.

Most of the money to fund the award will come from errors and omissions insurance policies which cover agents' legal claims for negligence. The funds available under such policies are thought to be limited to between £820m and £1.06bn, compared with overall claims of about £3bn. Beyond those limits claims will fall on the members' agents themselves. But most of these agencies are small and many are no longer trading.

● Success for Gooda Walker cases does not necessarily mean others will succeed. The verdict undoubtedly represents a fillip for the next case – that mounted by Names on the Feltrim syndicates. Mr Justice Phillips' criticism yesterday of the so-called excess-loss spiral – in which syndicates and companies covered each others' high-level catastrophe risks – are a helpful precedent. Other Names from spiral syndicates such as Rose Thomson Young, Devonshire and Bromley will also be encouraged.

However a Lloyd's panal, chaired by Sir Michael Kerr, the lormer High Court judge, examined the relative strengths of 31 separate claims earlier this year as part of an out-of-court settlement offer.

Although the panel found the cases of the Gooda and Feltrim Names were "strong" it said that the legal ground for many of the smaller actions, some of which are linked to US asbestosis and pollution losses, were "weak" or even "hopeless". Its view on another big liability-related loss that suffered by Names on Merrett syndicate 418/417, was mixed, with some claims viewed as having strong prospects. Merrett Names expect their case to come to court early next year.

● Even for the Gooda Walker Action Group members yesterday's victory could prove far from clear-cut.

As well as the possibility of an appeal the most obvious caveat is that damages have yet to be agreed – lawyers acting for the members' agencies who lost yesterday described the £504m figure as "speculative".

Yet agreement on damages is only the first stage. The Gooda Walker Action Group will also have to fight hard if the errors and omissions insurers are to fund any settlement fully. The errors and omissions cover available to the agencies sued by the Gooda Walker agencies may prove insufficient. The action group admits, for instance, that the cover on the discredited Gooda Walker members' agency has been declared void.

The group also faces legal hurdles in its attempts to sue Littlejohn Frazer, the former Gooda Walker auditors. It hopes to recoup the difference between its £629m total compensation claim and the sum eventually agreed with the agencies.

Meanwhile the impact on Lloyd's and its broader business is likely to be limited. Most of the errors and omissions policies have been underwritten by Lloyd's syndicates, but it is understood that reserves to pay the losses incurred as a result of the award have already been set aside.

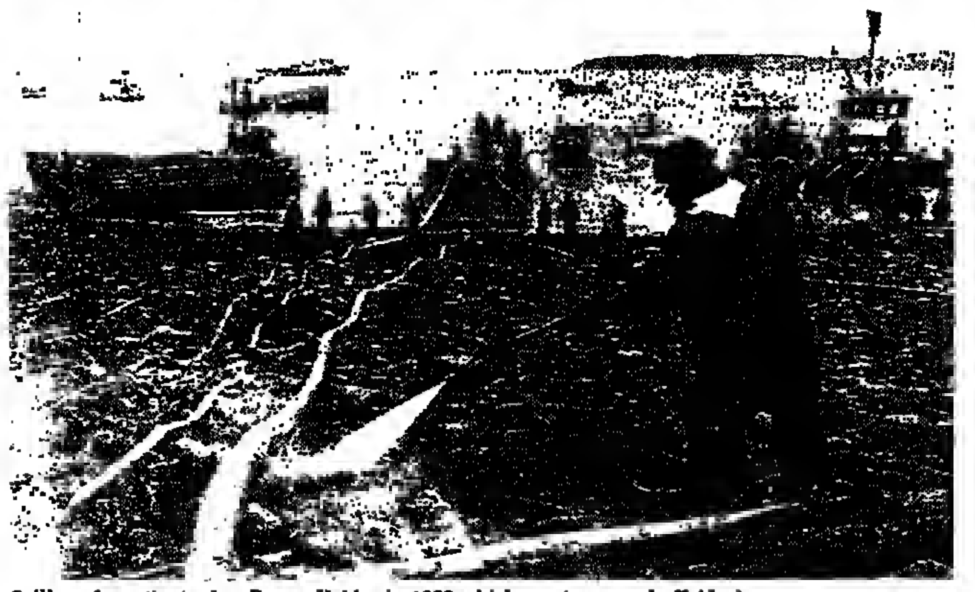
Although the award and its attendant publicity could tarnish its image, Lloyd's will point out that the market has changed radically since the late 1980s when the losses were incurred. The management of the Lloyd's corporation, which administers the market, has been overhauled since Mr Peter Middleton took over as chief executive in 1992.

The marketplace – one populated by hundreds of tiny syndicates, brokers and agencies – has become less fragmented and more efficient. More than half the 401 syndicates which traded in 1990 have been forced out of business by their losses.

Above all Lloyd's has succeeded – against some expectations – in attracting investment from institutions and bigger agencies. Syndicates believe their future depends on links with these corporate investors. Last year abont £800m in corporate money was attracted. This year investors are expected to commit a further £125m to £250m. By tightening links with corporate investors through dedicated investment funds, some agencies are explicitly paving the way for their transformation into insurance companies.

Against this background legal action, even if successful, is likely to be an irritant rather than a serions threat to the health of the market.

The 1988 Piper Alpha oil platform disaster. It cost the reinsurance market an estimated £120m



Spillage from the tanker Exxon Valdez in 1989 which went aground off Alaska

Jubilant Names hail 'justice and salvation'

By Jim Kelly and Ralph Atkins

For Mr Michael Deeny, the chairman of the Gooda Walker Action group, yesterday's High Court verdict was a triumph of justice that "represents salvation" for many distressed Lloyd's Names.

For Mr Derek Ritchie, who stood to lose "in excess of half a million pounds" on Gooda Walker syndicates, yesterday's judgment was, less grandiloquently, an "enormous relief".

Mr Ritchie of West Sussex, who is semi-retired but still works as a chartered surveyor, professed himself "absolutely delighted". He was introduced to the world of the Lloyd's insurance market whila playing golf in 1973.

He is aware that many substantial points remain to be sorted out between plaintiffs and defendants before any compensation payments are made, but the verdict gave him hope that he might be able to avoid having to sell his home. "There is a light at the end of the tunnel," he said.

Mr Ritchie said he would wait for a detailed appraisal of the 146-page judgment before making any decisions about his future.

Other Names were similarly cautious about assuming that the action group would ever actually reclaim the £504m to which it estimates it is entitled. Mr Richard Platts, who owes Lloyd's a total of £800,000, with most of his debts incurred on Gooda Walker syndicates, said: "It's an excellent victory – but it is the first step in the proceedings".

Mr Platts, 60, was a university academic teaching economics before taking early retirement in 1988. "I taught economics but it does not have anything to do with insurance."

His link with the international insurance market was through friends and family – his grandfather and two uncles were Lloyd's Names. "All my capital has gone. I am living in Chorley Wood, Hertfordshire, but I don't own a property.

"These are not like any other bills in life. You can't just pull out a cheque book. Imagine getting a polite little letter asking for £800,000. I just have a file for unpaid Lloyd's bills... You just have to get on with life – compartmentalise it. I don't know if I will ever wipe the slate clean. This is a start."

Mr Basil Payne, a Gooda Walker Name, was an insurance broker at Lloyd's for 40 years. He said that while the judgment was "as good as I could have hoped for . . . in effect my working life will have been for nothing."

Mr Payne, who lives in Tunbridge Wells, said he had watched the news at noon on the television: "I jumped about when I heard," he said.

He said that in spite of working at Lloyd's he felt that the institution was "an absolute disgrace" and that those who were to blame for the situation would escape personal loss.

Mr Paul Powis was a chartered accountant who worked with the insurance market before investigating the risks and becoming a Name himself. He now owes £40,000 on Gooda Walker business and £600,000 in total to Lloyd's.

He was having a cup of coffee at home in rural Kent with his wife when he heard the news. "I had been given a pretty good indication a few days earlier but I was elated. I am enormously pleased," he said.

● The Gooda Walker court case has set new records for being both the biggest civil action ever brought before an English court and for winning the largest amount in damages. The award, estimated by the Names at £504m, is expected to far exceed the £172m paid last year by merchant bankers Samuel Montagu to the liquidators of British & Commonwealth Holdings.

The Advertising Standards Anthority, the advertising watchdog, yesterday npheld a complaint by Lloyd's that a gronp of names had placed "inaccurate, grossly misleading and offensive" advertisements in the press.

The regional press advertisements, from the Wellington Names Association, were headlined "How many more people have to die before Lloyd's is brought to account?" A subheading read: "At least 31 snicides and premature deaths have been attrihuted to the losses sustained by Lloyd's Names."

The ASA said it was concerned with the lack of substantiation for all of the 31 deaths, and asked the advertisers not to refer to them again.

Group led by cool chairman

By Richard Lapper

The Gooda Walker agency did itself no favours when it recruited Mr Michael Deeny, a 49-year-old Irishman and chairman of the victorious Gooda Walker Names Action Group, to become a mamber of its flagship syndicate – 290 – in 1985.

Mr Deeny, a chartered accountant, has proved an able and proficient political leader, successfully co-ordinating the biggest campaign for compensation ever fought by Lloyd's Names.

He is now a music promoter organising concerts for tha likes of U2, Bruce Springsteen and Nirvana and Luciano Pavarotti, hut trained as an accountant after graduating in history from Magdalene College, Oxford. Recruited to Lloyd's by an agent who had links with a number of Irish QCs, Mr Deeny says he considered Lloyd's to be a conservative investment. "I thought if they think it is OK it will be OK. It seemed to be an established institution which had been sending Names cheques for 300 years," he explained.

However, unlike many fellow Gooda Names, Mr Deeny took an active involvement at the market, interviewing underwriters and checking accounts. He has an informed view of accounting policies at Lloyd's, criticising those of the one Gooda Walker syndicate of which he was a member, the group's flagship syndicate 290, as "highly misleading", mainly because of the way purchases of financial reinsurance – a policy which allows syndicates to manage their reserves more effectively – were treated.

After losing money Mr Deeny became active in the group's campaign and took over as chairman following a row over a plan to remunerate committee members late in 1992.

As chairman of the action group, Mr Deeny has taken a cool and calculated approach, avoiding the loose allegations and emotionalism favoured by some of his fellow leaders. The group's action was tightly focused and well organised.

Yesterday Mr Deeny was typically phlegmatic. "The photographers are hassling me to crack open champagne but I really don't feel like it," he said. "This thing has wrecked peopla's lives. It has been pretty horrific."

Judge deplores underwriters' failure to assess full extent of risk

John Mason reports on a ruling which dismissed the defence that others' standards were no higher

The central issue before the High Court in the Gooda Walker case was whether the underwriters had been negligent in leaving their syndicates so heavily exposed to the series of catastrophes such as the Piper Alpha disaster that occurred in the 1980s.

At the start of the case the Names argued that the Gooda Walker underwriters were negligent in leaving the syndicates so exposed. They said that the underwriters had failed to manage their businesses adequately by not properly monitoring their total exposure to risk, had failed to arrange sufficient reinsurance and had exercised insufficient care in dealings with the excess of loss "spiral".

The Gooda Walker agents responded by arguing that the sequence of catastrophes was unprecedented and unforeseeable. They also argued that underwriting excess of loss cover – known as LMX – was an intrinsically high-risk business, that there was no oblignation to reinsure all risks and that Lloyd's regulations did not oblige underwriters to calculate their total exposure, or "probable maximum losses".

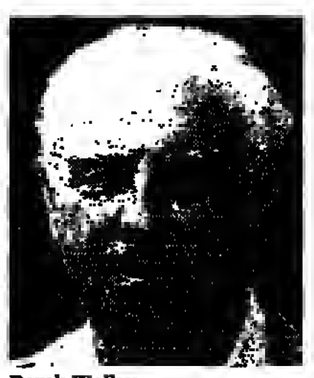
The three Gooda Walker underwriters whose actions were under scrutiny were Mr Derek Walker, Mr Stanley Andrews and Mr Anthooy Willard.

Mr Justice Phillips ruled that all three had failed to exercise the skill and care to be expected of competent underwriters.

"The growth of the LMX market in the 1980s and, in particular, the growth of the spiral business, raised special problems in relation to the assessment of risk, exposure and rating that called for special consideration. Some gave that consideration. The Gooda Walker underwriters did not."

The judge continued later: "The exposure in respect of which I have held the underwriters at fault was culpable because it was unintended, unplanned and unjustified by any proper analysis of risk."

Tony Gooda



Derek Walker

Their principle negligence was in failing to buy sufficient reinsuranre protection, he ruled.

The issues in the case fell into two main areas – the nature of competent underwriting practice in the Lloyd's market generally and how responsible underwriters should have approached excess of loss cover on existing excess of loss cover – the "spiral".

Competent underwriting

Mr Justice Phillips ruled that there are basic principles of insurance underwriting which should be adhered to:

□ An underwriting account should be balanced in that all the risk should not be exposed to the same loss. He also rejected the agents' argument that Names should accept that, having agreed to unlimited liability, their underwriters could then deliberately expose them to such a risk.

"On the contrary, the Name will reasonably expect the underwriter to exercise due skill and care to prevent him suffering losses," he said.

If an underwriter intended to expose Names to periodic losses he must make sure that they were aware of this and the scale of the potential losses, he said.

□ Accounts should be planned so an underwriter knows what he is doing, the judge said. This includes monitoring the total liabilities and probable maximum losses to which accounts are exposed.

"In my judgment, it was a fundamental principle of excess of loss underwriting that the underwriter should formulate and follow a plan as to the amount of exposure that his syndicate would run," he said.

□ Reinsurance policy. The judge ruled that an underwriter must know the exposure he intends to run and ensure that this is not exceeded. This should be done by having a proper reinsurance policy.

Mr Justice Phillips rejected the agents' argument that LMX business was widely known to be high-risk. "It is quite plain from the evidence before me thet this was not the perception of LMX business shared by many of the defendants at the time.

"I have no doubt that there are many plaintiffs who would understandably have felt outraged had they heard tha plea being advanced on behalf of their members agents that Names had no cause for complaint because the type of business they had chosen to write was well-known to be dynamite."

The spiral

Mr Justice Phillips described the spiral – the complex arrangement under which catastrophe excess of loss risks were insured and reinsured, often many times – as "rather like a multiple game of pass the parcel". Those left holding the liability were those who first exhausted their layers of LMX reinsuranca. The effect on individual syndicates was to magnify many times the impact of a particular loss.

The judge quoted the views on the spiral of Mr Richard Outhwaita, the underwriter who gave expert evidence lor the agents, and his reluctance to write spiral business because of the exposure involved.

"In my judgment the Gooda Walker underwriters should have shared the appreciation of the spiral enjoyed ... by Mr Outhwaite. No reason has been suggested by the defandants why the Gooda Walker underwriters should not have made the same appraisal of spiral business as Mr Outhwaite, and I can think of none."

Tom Benyon

Peter Middleton

His dismissed the agents' argument that the Gooda Walker underwriters should be judged according to the standards of competence of other participants in the spiral.

"Suppose a profession collectively adopts extramely lax standards in some aspect of its work. The court does not regard itself as bound by those standards."

Syndicates 290 and 164

Mr Justice Phillips ruled that Mr Derek Walker, the underwriter, deliberately ran exposures to risk without monitoring those exposures properly or informing Names of this. He made no attempt to estimate how often his Names might lose and failed to appreciate the level of catastrophe that risked such losses. His conduct amounted to a breach of the duty to exercise reasonable skill and care, the judge ruled.

Syndicates 298

Mr Justice Phillips ruled that the performance of Mr Stanley Andrews, the underwriter for syndicate 298, fell "far short of reasonable competence".

The judge said he could not believe Mr Andrews' evidence that he monitored his aggregate exposures, and his approach to huying reinsurance was unclear. Mr Andrews had said he believed the loss of Piper Alpha was "unthinkable". The judge ruled that his failure to properly assess cover for such a loss was negligent.

Syndicate 299

Mr Justice Phillips ruled that Mr Anthony Willard, the underwriter for syndicate 299, did not mean to expose Names to hig losses. However, he did not calculate probahle maximum losses and so they formed no part of his reinsurance policy which proved unsound.

Damages

Mr Justice Phillips rejected the Names' claim that they should be compensated for all the losses they suffered through their involvement with the Gooda Walker syndicates.

Instead, damages should be based on the losses sustained from the negligent conduct in failing to arrange sufficient reinsurance, he ruled.

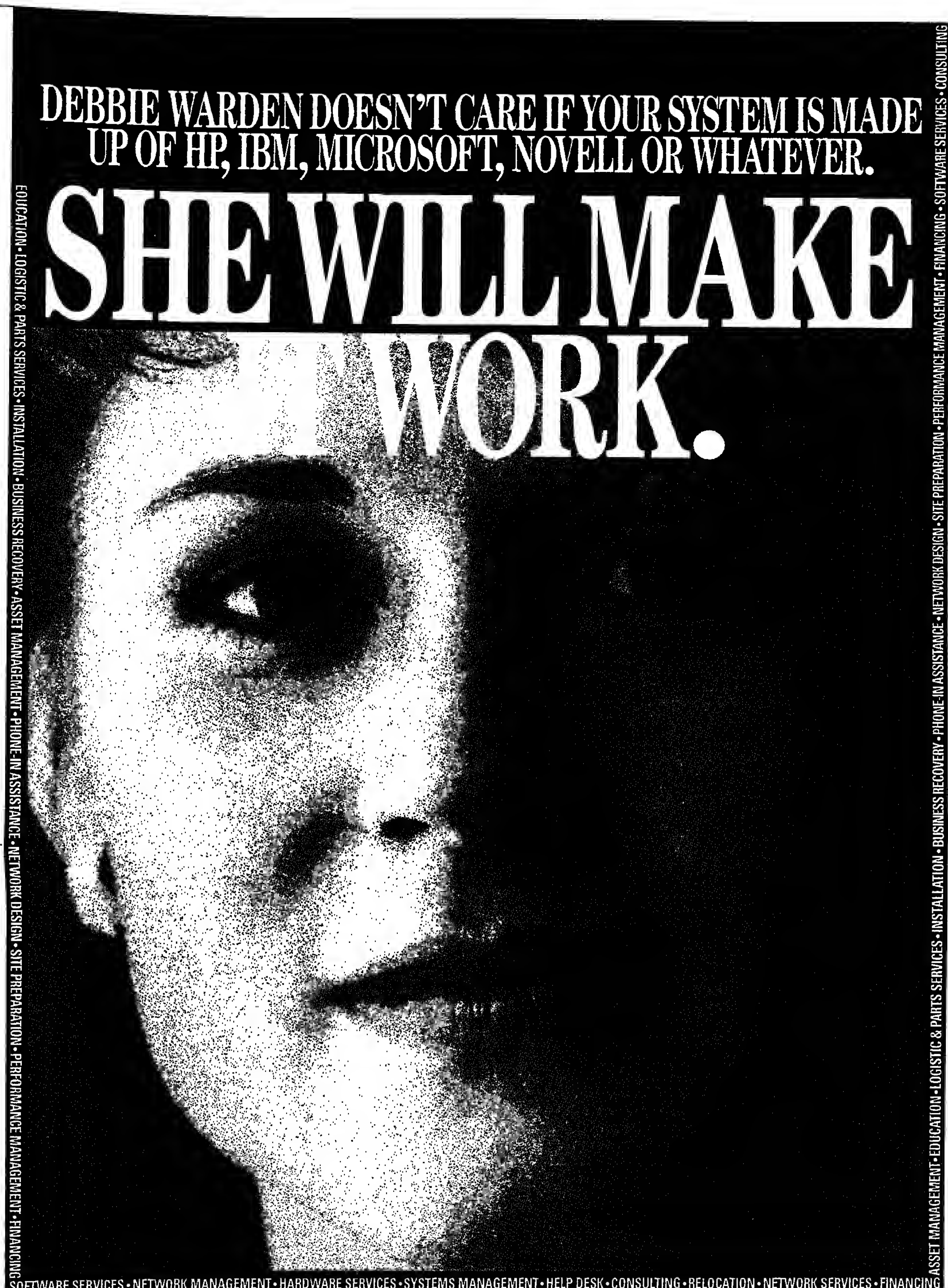
He said: "The plaintiffs are entitled to that award of damages which will place them in the same position as if the underwriting carried out on their behalf by each syndicate had been competently performed."

The compensation that the Gooda Walker Action Group eventually succeeds in obtaining will be pooled and divided according to the losses incurred by individual members.

Some Gooda Walker Names have lost up to £1m, so they could, in theory, receive as much as £800,000 – although thet assumes that the group defies expectations and secures at least the £500m it reckons it is owed, about 80 per cent of its initial claim of £629m.

Mr Michael Deeny, action gronp chairman, said the group rejected the idea that payments to individual members should vary according to which syndicates their money was invested in – some of which have better errors and omissions insurance cover out of which damages will be paid.

The losers are likely to be the estimated 900 Gooda Walker Names who did not join the action group's legal challenge and will not be entitled to the compensation awarded by the High Court.



Debbie Warden - Computer Systems Engineer

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BUSINESS AND THE ENVIRONMENT

Victoria Griffith reports on the growing resistance to America's drive-in shopping centres

Malls get a mauling

Ashley Ashwood
Malls under fire: shopping centres in the US are being forced on the defensive by environmental campaigners

Every morning, millions of Americans roll out of bed and into their cars. They drive to work, drive to lunch, drive to a mall for some shopping, drive to the supermarket and drive home again.

It is the American dream: a well-paid joh, easy access to consumer goods and a house in the suburbs. To a small hut increasingly vocal group, however, it is the American nightmare. Car dependency, they say, exacerbates air pollution and reduces wilderness areas and open space by encouraging suburban sprawl.

Large suburban shopping complexes have become a target for their campaign. Wal-Mart, one of the most successful and aggressive retailers in the US, is bearing the brunt of the campaign, concentrated in New England. In August, St Johnsbury became the first city in Vermont to accept the store, after years of hitter opposition across the state.

Wal-Mart hailed its entry into Vermont as a victory, hut the company made some significant compromises. The store reduced its planned size from about 120,000 sq ft to about 80,000 sq ft and agreed to locate in the downtown area rather than on the city fringes.

Town councils and local referendums in Bath in Maine, Saugus, Greenfield and Westford in Massachusetts and Lebanon, New Hampshire have already rejected Wal-Mart. The anti-Wal-Mart campaign has gained momentum in Plymouth and Sturbridge in Massachussetts, St Albans and Williston in Vermont, and North Kingston in Rhode Island.

Other retailers are also under fire. Cape Cod is seeking to keep out the discount store Costco, and anti-marters are hoping to prevent Kmart from building in Wallingford, Connecticut.

Resistance to sbopping malls is mounting in urban centres too. Plans for a gigantic new mall in the city of Providence, Rhode Island, have raised the ire of euvironmentalists who complain that a 5,000-space parking garage will encourage shoppers to drive to the mall and turn the area into one hig traffic jam.

The Providence Place developers argue that shuttle buses and a two-person per car minimum for parking will solve the problem.

The retail chains also point to the economic stimulus they bring to a community. Wal-Mart argues that each store it builds brings up to 250 new jobs.

"We add jobs, which are of paramount importance everywhere," says Donald Shinkle, spokesman for the group. "By selling our products cheaply, we also extend the shopping budgets of every family in the area."

The chief fear of Wal-Mart detractors is that an outlet will sap business from town centres. Dying downtowns lead to sprawl and more traffic as large car parks spread, they say.

But Wal-Mart counters that in many areas its presence has benefited downtown businesses by attracting more out-of-town shoppers from far away.

Wal-Mart is now running television commercials portraying the retailer as an environmentally-conscious family store. The advertisements feature a Wal-Mart huilt with recycled materials, and workers who host sales of baked goods for charity on their days off.

Anti-marters are sceptical. They say the economic benefits are insubstantial.

"Most of the jobs Wal-Mart creates are minimum wage," says Albert Norman, an anti-mart activist in Greenfield. "And when you count tbe number of johs lost as the downtown stores go out of business, it's a wash.

"It also doesn't count the added infrastructure the town needs to spend money on like more traffic lights and road repair. The prices may be low now but if Wal-Mart eliminates the competition, they'll have lots of room to raise prices," he adds.

So far, the anti-mall gronps have operated only locally, but some are linking witb otber campaigners.

"We are starting to share ideas and strategies witb other, similar gronps around the country," says Joan Pucino, head of the No-Mart Coalition of residents in North Kingston, Rhode Island. Lewis Milford, a lawyer with The Conservation Law Foundation, says his organisation is planning to get more involved, but adds that environmental groups bave been slow to respond.

Although the environmental dangers are seen as serious, many involved in urban planning development say suhurban retailers are not entirely to blame. A number of businesses locate on highway developments including banks, car dealers, fast food restaurants, condominiums and suburban office complexes.

"The retailers are scapegoats," says Alex Krieger, director of the urban design programme at Harvard University. "It's easy to target them because they're very big, they tend to replace local shops, and they're seen as large-scale intruders."

Power to the petrol

John Griffiths finds battery cars cannot keep up

In 2015, most cars will still be powered by conventional petrol or diesel engines, with battery-powered cars and alternative fuels relegated to the "politically correct fringe", according to a research report from The Economist Intelligence Unit.

It also takes a strongly pessimistic view of the prospects for hydrogen-powered cars, on which several leading manufacturers are working as one of the most promising alternatives to battery vehicles in the search for environmentally "clean" private transport.

The 200-page study* appears to reinforce the arguments of the US "big three" car makers, General Motors, Ford and Chrysler, that electric vehicle technology is not sufficiently advanced for viable battery cars to go on sale in California in 1998 in line with state environmental legislation.

Under directives drawn up hy the Californian Air Resources Board (Carh), and which are being copied by some other US states, 2 per cent of a car maker's Californian sales must be zero-emission vehicles (ZEVs) in 1998, rising to 10 per cent hy 2007.

The penalty for non-compliance could be exclusion from the Californian new car market, which with well over 1m sales a year is bigger than that of many countries.

No mainstream car maker could contemplate sucb a prospect, so all are developing electric cars to meet the deadline, despite reservations about their cost and whether they will have adequate range for the sprawling greater Los Angeles area, where California's air pollution problems are concentrated.

The EIU report concentrates on what it describes as the "extreme inefficiency" of batteries as a means of storing energy, maintaining that 150 conventional lead acid batteries, weighing several tonnes, would be needed to store the equivalent energy of a tankful of petrol.

Even the most advanced forms of battery now at the research and development stage would only improve the situation by a factor of three, according to the report. "But each of these batteries also suffers from technical prohlems of one kind or another, as well as from very high cost."

However, despite many months of lohbying by the motor industry, Carb and other states' clean-air authorities are showing little inclination to dilute or delay their legislation.

And with no hydrogen-fuelled or other alternative zero-emissions vehicle on the immediate horizon, the Carb directive is effectively ordering manufacturers to produce battery-powered cars or EVs (electric vehicles).

However, it cannot order motorists to buy them at prices whicb – unsubsidised – could be double that of a conventional family car. So most initial production will go to concerns such as power-generating utilities with a vested interest in the vehicles' long-term success. Sales to private motorists will have to be subsidised hy the conventional cars their makers sell in much larger numbers.

General Motors is providing the most visible evidence that electric cars will be available from 1998.

It has just finished building a fleet of 30 models based on the Impact, a prototype unveiled about three years ago. The fleet is starting trials, under a programme called PrEView, in Los Angeles and will be evaluated, along with prototype systems for recharging the vehicles, by 1,000 drivers of widely varying types and needs over the next two years.

Ken Baker, vice-president of GM's research and development centre, insists that "GM wants electric vehicles to be a marketplace success. The PrEView drive will help us understand the potential EV customer and help take us one step closer to making EVs a reality."

All other problems such as cost apart, the programme should go a long way towards establishing whether the cars' estimated average range of 70 miles using lead acid batteries – rather than the more advanced, costly and commercially not yet available nickel cadmium ones of the prototype – really is of any practical use to most Los Angelinos.

*New Generation Engines. Economist Intelligence Unit, 15 Regent Street, London SW1Y 4LR. £495.

Slag today, land tomorrow. **Laura Tyson** reports

Where there's muck, there's grass

King Cannte would not have approved of tbe metbod, bnt the land reclamation scheme ln tbe sonthern Taiwanese port of Kaobsiung is sure to be watched with interest by the Netherlands.

Kaohsinng is reclaiming coastland using non-hazardous industrial waste as fill instead of sand and gravel. The project creates much-needed new land – an expenslve and bighly songht-after commodity in the crowded, heavtly industrialised city. It also provides a practical way to dispose of materials which were previously dnmped offshore.

The city government plans to reclaim up to 200ha (494 acres) of land by the eod of the century. Begun in 1989, reclamation of the first 50ha will be completed by the end of this year. It will be used to build a public sports park and recreation area. Uses for land still to be reclaimed bave yet to be decided.

Kaohsiung's environmental protection hureau conceived the Sonth Star project as a stop-gap measure to prevent furtber erosiou of the shoreline south of the city, but it bas since evolved into a more amhitious reclamation project.

Sonth Star is using slag produced by the state-owned China Steel Corp, fly asb generated by the state power company, Taiwan Power Co, and construction rubble. Even the sea walls are made with recycled material – primarily a concrete using slag powder and slag aggregate. Abont 200,000 old tyres will be nsed to protect them from erosion.

The project is economical as well as environmentally friendly, according to the environmental protection bnreau. It says the cost of building the sea walls was half the price it would have been nslng conventional construction methods.

The project that most closely resemhles tbe Sonth Star reclamation is the new Kansai airport in Osaka, Japan, says Lin Cbia-nan, depnty commissioner of the burean of environmental protection.

"The concept is similar, bnt compressed garbage was used for fill at Kansai, and now the airport is experienclng problems with snbsidence," Lin says. "However, our method is quite stable because the materials we are using for fill are solid."

Future reclamation projects intend to nse otber waste material, inclndtng ash prodnced by Kaohsinng's several planned garbage incinerators.

MANAGEMENT

Michael Hammer and Steven Stanton parry criticisms of re-engineering

No need for excuses

Suddenly, it is open season on re-engineering. While 18 months ago the term was known only to a handful of cognoscenti, today we are besieged by self-proclaimed "experts" who busily assure all who will listen that re-engineering is too radical, insufficiently radical or nothing new. Many of these "experts" do not know what re-engineering really is and have no first-hand experience of it.

These critics are merely taking advantage of the fact that since the media are always hungry for controversy, a dissenting voice will usually attract attention.

Since re-engineering has been phenomenally successful in many companies, and since the term has entered the general lexicon, asserting that it is bunk comes under the heading of man bites dog and may well get someone some notoriety.

One give-away to the emptiness of such claims is that they are rarely substantiated by any specifics: no review of cases, extensive anecdotal experience or statistical data. In order to bolster their claims, however, some of the critics do slip in one bit of data: that re-engineering has a very high failure rate, often cited as 70 per cent. This "fact", the critics claim, proves that re-engineering does not work.

The use of this datum proves the critics' ignorance of re-engineering in two ways. First, we find it breathtaking when the 70 per cent figure is cited as an authoritative statament of re-engineering's successes and failures because we happen to know its source: one of us made it up.

Obviously, the figure was not manufactured from the whole cloth, but was based on experience with companies attempting re-engineering. Nonetheless, it was only intended as a qualitative assessment. Moreover, that statement was made in late 1992 and its relevance in late 1994 is modest at best.

Second, the statement was a descriptive assertion, not a predictive one. It merely observed that approximately 70 per cent of the re-engineering efforts that we had seen had not ended successfully. It implied nothing about the expected rate of success or failure of subsequent re-engineering efforts. To believe otherwise would be to believe that re-engineering's success rate is a matter of luck. Nothing could be further from the truth.

Success or failure at re-engineering is determined by a company's understanding of it, the ability to execute it and the executives' commitment to it. Re-engineering has no natural failure rate. Those who do it right succeed; those who do not fail. In 1992, few companies knew what they were about and so re-engineering had a high mortality rate. Today there is little excuse.

What than are the primary causes of re-engineering failure? They fall into two groups. The first we call failures of intellect, where a company simply does not know what it is doing. Enthusiasm and a desire for breakthrough results are not sufficient to yield re-engineering success. One has to know what one is about, and if one does not, one can expect problems.

There are many traps into which companies unprepared for re-engineering and left to their own devices are likely to fall. One common error is expending too much time and energy on an analysis of the organisation's current operations. Since re-engineering entails discarding current process designs and starting again with a clean sheet of paper, virtually everything learned in such an exercise is destined for the rubbish heap. Those conducting such a study inevitably become captives of the existing way of doing things. After an extensive analysis, the old ways start to make sense to the analysts; they develop proprietary interest in the old processes; and their ability to think creatively is seriously and perhaps permanently impaired.

In spite of its obvious dangers, it is easy to fall victim to the analysis temptation. Conducting an analysis is comfortable and postpones that fateful day when sweeping changes will have to be made.

There are numerous other such re-engineering pitfalls, easy to fall into but also relatively easy to avoid: timidity in redesign, stretching out a re-engineering programme over a lengthy time frame, focusing on organisational units rather than on value-creating processes, and so on.

Today, we have a substantial body of expertise about re-engineering so that companies that make these errors have only themselves to blame. Their failure is a commentary on their lack of preparation and experience rather than an indictment of re-engineering.

However, re-engineering expertise is by itself not enough to guarantee success. Without committed executive leadership even the most intelligently planned re-engineering programme will fail. Re-engineering entails sweeping change to an organisation. When a company's operating procedures are rethought from the ground up, virtually every other aspect of the company is called into question: the content of people's jobs, the structure of the organisation, the mechanisms for reward and compensation, even the cultural norms that govern attitudes and behaviour. These must all be consistent with the ways in which the organisation's work is being performed, and changes in how the work is performed will be reflected in all these other arenas.

Re-engineering therefore entails an unprecedented degree of organisational change. For that reason, we eschew the oft-used phrase "business process re-engineering" (BPR), because it is too limiting, suggesting as it does that the process alone is the target of re-engineering.

While re-engineering does begin with process redesign, it does not end there; the ripple effects are felt everywhere. Such mult-dimensional change can only be effected from the top of the organisation. Only senior executives have the authority to institute such changes: to reassign personnel, to recalibrate measurement and reward systems, to institute new organisational structures, and to compel the participation of those who might prefer to give the whole thing a miss.

The other main cause of re-engineering failure is the absence of such executive leadership. Many executives claim they want the dramatic results that re-engineering promises but are unwilling to follow its consequences or are reluctant to pursue the effort with the vigour that it requires.

Failures of intellect and character are encountered when an organisation has developed a superficial attachment to the concept of re-engineering but has not invested in the training needed to make it work and does not have the cadre of senior leaders needed to see it through. The failure of these companies is both predictable and avoidable, and says nothing about re-engineering itself. To paraphrase Shakespeare, "the fault is not in re-engineering, but in ourselves".

Michael Hammer is a co-founder of the re-engineering movement; Steven Stanton is a re-engineering consultant with Hammer & Co

BOOK REVIEW

Three ways to be a better parent

By Peter Martin

Trapped inside this how-to manual for corporate strategists is a more radical book. The question the authors of *Corporate-level strategy: creating value in tha multibusiness company* raise but never quite tackle is: why should diversified business companies exist?

Again and again, the book emphasises how hard it is for a parent company to add value to its operating businesses, how easy to damage them. The authors, Michael Goold, Andrew Campbell and Marcus Alexander, members of London's Ashridge Strategic Management Centre, say their research suggests that "a few multibusiness companies have corporate strategies that create substantial value". But "the majority do not; they are value destroyers".

To avoid this, big-company managers must strive for "parenting advantage": the businesses must be better off than on their own, and better off than with any other parent. The book is about how to ensure this.

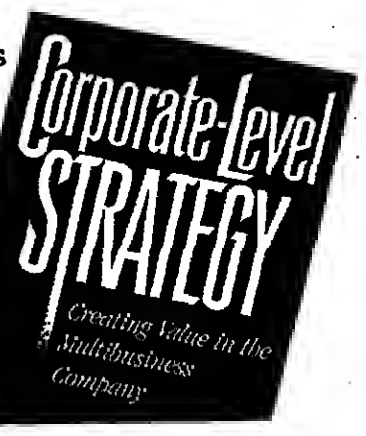
The basic tool is something that two of the authors, Goold and Campbell, introduced in their influential 1987 book, *Strategies and Styles*. They argue that there are three approaches a parent company can take to its businesses: financial control, strategic planning, and strategic control.

The first, best exemplified in the UK by Hanson or BTR, gives individual managers freedom to run the businesses as they want, as long as they meet demanding short-term financial targets. The second, strategic planning, yields parents "closely involved with their businessea in developing plans and strategies," emphasising long-term goals. IBM is an example, as is Canon, the camera and office equipment company. The third approach, strategic control, falls midway between the others.

Parent companies must decide which style to use, the authors say, and apply it consistently across their portfolio of companies, which itself must comprise businesses likely to benefit. If there are misfits, it is easier to change the portfolio than the style.

This approach forces managers to think clearly about what parenting involves. The authors have little patience with traditional answers. Finance and central services are easily obtained elsewhere, usually on better terms; merely offering a second opinion "seldom justifies its cost"; to say the parent is needed to help subsidiaries think strategically is "arrogant and wrong".

> 'Can successful parents continue to add value to subsidiaries once they have acheived the one-off gain of teaching their managers the lessons of shareholder value?'



Instead, the authors say, managers must seek bigger "parenting opportunities", through "value creation insights", supported by "distinctive parenting characteristics" and appropriate "mental maps", applied to the right "heartland businesses".

Some of the insights cited are shrewd, others bathetic. Put crudely, the one for BTR is that a tough parent can force subsidiaries to jack up prices faster than they otherwise would. To be fair, the authors say real value comes not from the insights but from underpinning them with clear and consistent corporate habits.

A weakness at the heart of the book lies in the three styles on which the authors base their analysis. Arguably, the financial control style is a distinctively British approach; in the US only Kohlberg Kravis Roberts springs to mind as a fellow member of the club. The authors cite few successful western examples of the strategic planning style, though they argue that it is common in Japan.

That leaves most western companies trapped in variations of the strategic control style. For them, the liberation offered by the range of potential styles is illusory; in practice, the issues are tediously familiar. Should we have a matrix structure, or worldwide business units, or country units? Which is more important, the operating budget or the strategic plan? Is this proposed acquisition in a business we understand, or is the apparent similarity a trap? Parenting analysis throws some light on all this, but the knotty problems remain.

An unaddressed issue is whether successful parents can continue to add value to subsidiaries once they have achieved the one-off gain of teaching their managers the lessons of shareholder value.

Which is where we came in: such transitions apart, what is the economic role of the multibusiness company?

Perhaps such giants survive, protected by their inherited control of brands and shelf-space, partly because big companies find it easier to deal with companies of similar size. These forces of inertia are reinforced by familiar capital market imperfections, notably the gap between shareholders and managers. Together, these forces ensure immunity for all but the most egregious value-destroyers. The authors provide a useful guide to avoiding such a fate; but the wider questions they raise remain.

* *Published by John Wiley & Sons, £24.95 ($34.95)*

PEOPLE

New style for fashion retailer New Look

New Look, the Dorset-based women's wear retailer which has just opened its first London outlet on Oxford Street, is preparing itself for flotation by bringing on to its board a non-executive chairman and two non-executive directors.

Unusually, founder Tom Singh has retained for himself only the position of deputy chairman; John Hanna, the managing director, is in day-to-day charge.

The new chairman, 53-year-old Louis Sherwood, right, has been picked not for his experience in fashion but for his knowledge of retailing generally.

A former personal assistant to James Gulliver at Fine Fare, Sherwood then spent 13 years in Sir James Goldsmith's empire, initially with Anglo-Continental, later in the US at Grand Union.

In 1985 he became president of US supermarket chain A&P, returning to the UK three years later to be chairman and chief executive of Gateway Foodmarkets.

Following Isoceles' acquisition of Gateway in 1989, he was brought in by the bankers as non-executive chairman following the ill-fated management buy-out of Magnet, the fitted kitchens retailer.

He is now chairman of HTV Group, the ITV company for the west of England and Wales.

Also joining the board is Howard Perlin, a non-executive director of Pentos, who until March had been director of acquisitions and disposals at Sears.

Perlin, 47, says he was impressed by New Look: "It appears to have eliminated the sort of hiccups you so often see in the fashion business". Sales have grown by an average annual compound rate of about 50 per cent a year for the past five years.

The feminine perspective is provided by 38-year-old Sue Farr, head of marketing and publicity for BBC Network Radio.

A graduate trainee at Northern Foods, she moved around the advertising world before becoming director of corporate communications for Thames TV. She joined the BBC last year.

Watkins joins board of Senior Engineering

Alan Watkins, former deputy chairman and chief executive of London Transport, was yesterday appointed a non-executive director of Senior Engineering, the tubular products, ducting and thermal engineering company .

Earlier this year, Watkins had been in line to take over as LT's new chairman, but the appointment was apparently blocked by the government because of his sharply-worded criticisms of cuts in LT's budget.

Watkins' appointment at Senior is his first since quitting LT, and something of a coup for the Rickmansworth-based group.

He had a long career at Lucas Industries before becoming chief executive of Hawker Siddeley, before its acquisition by BTR. He is also a non-executive director of Dobson Park Industries, the mining equipment company.

Don McFarlane, Senior's chairman, said that Watkins, at 56, was "just the age we were looking for – he has plenty of energy and drive, but also brings years of experience."

■ Mark Cola, 34, has been appointed md of Hall & Pickles, a subsidiary of Shrewsbury-based Hall Engineering (Holdings).

Wheelock NatWest chooses chief executive

David Miller, 46, former head of Jardine Fleming's Japanese operations, has become chief executive of Wheelock NatWest, the new Asian merchant bank being set up by National Westminster Bank and Wheelock, the 137-year-old Hong Kong trading house.

Miller joined merchant bankers Robert Fleming as a graduate trainee in 1972, and was seconded to the Abu Dhabi Investment Authority in the late 1970s. After a brief stint as a Fleming pension fund manager, he joined Jardine Fleming, the Hong Kong merchant bank jointly owned with Jardine Matheson.

Miller, who was deputy chairman of Fleming Securities when he left in 1991, is coy about the reasons for his departure.

He says that when he returned to head office from the Far East it "did not work out". He left in 1992 to run the UK arm of State Street Bank Global Advisors, part of the Boston-based fund management group.

Jardine Fleming has only been going for 25 years yet is Hong Kong's oldest, most profitable merchant bank. Last year it made net profits of $310m and contributed a substantial part of the profits of the privately-owned Robert Fleming group.

Miller is the second ex-Jardine Fleming man recruited by Wheelock Natwest. Nick Sibley, 56, one of two joint deputy chairmen, ran Jardine Fleming in Hong Kong in the early 1970's. He too found it hard to adjust when recalled to Flemings' London HQ. Sibley moved to BZW, then Wheelock Marden, where he has the job of setting up the new venture, which has an authorised share capital of $200m.

INSURANCE MOVES

■ David Davies, formerly md of London Life, has been appointed chief operating officer of the PEARL GROUP on the retirement of Godfrey Bowles; Davies is replaced by Jim Divers, general manager, sales, marketing and finance.

■ John Marsh, formerly an assistant general manager, has been appointed md of SUN LIFE Broker Services in succession to Brim Avery who is taking early retirement because of ill health.

■ Richard Munro is promoted to become group financial director of PRIVATE MEDICINE INTERMEDIARIES.

■ Jamie Braithwaite, Neil Nimmo, David Poulson, Jamie Powell, Philip Turner and Mark Warren have been appointed directors of JOHNSON & HIGGINS.

■ Hugh Jago has been promoted to deputy md underwriting of UNIONAMERICA INSURANCE.

■ Tara Falk and James Kalhassi have been appointed directors of COLEMAN SPERRYN-JONES & PARTNERS.

■ Ian Morrice has been appointed retail director at the AA to head its chain of high street shops.

■ David Herbert, Ian Roberts, formerly a parter of Naville Russell, and Nicholas Thornbill have been appointed corporate capital director, finance director and systems and information technology director, respectively at STACE BARR UNDERWRITING AGENCIES.

■ Timothy Broadhurst, chairman of Heath Reinsurance Broking, has been appointed to the C.E.HEATH.

■ John Hamblet, formerly director of global benefits for Cigna, has been appointed director of healthcare at HOGG ROBINSON Financial Services.

■ William Stockdale, formerly director of engineering, has been appointed md of ENGINEERING INSURANCE COMPANY.

■ Bryan Roddick, immediate past chairman of The Salvage Association, has been appointed a director of the marine division of ALEXANDER HOWDEN Reinsurance Brokers.

■ Gary Lockett and Keith Steed have been appointed to the board of RATTNER MACKENZIE.

■ William Mills has been appointed a director of Carpenter BOWRING and John Pollock a director of Bowring Worldwide Services.

■ Andrew Lund, deputy chief executive of Robins (UK), has been appointed md of Cunningham Hart (UK) on the retirement of current md Christopher Hardy from Cunningham Hart and as a director of HAMBRO Insurance Service.

ARTS

Television/**Antony Thorncroft**

Cash in on misfortune, American style

You need not spend long in an American hotel room, wearily zapping the control button of tha television, to discover that, despite a score of channels, there are basically only two programmes on offer.

Both pander to the American love of hunting. One involves hapless victims – abandoned women, impotent men, beaten children – who are publicly confronted with their presumed predators while a bossy women presenter, cheered on by the andience, tries to extract blood. The other shows a professional man-hunt: a mobile police team travels the freeways, preferably in California, with a TV crew in the back of the car, primed to record crime on the hoof.

Now we can receive a cathartic boost from the misfortunes of others without the hassle of travel. On Tuesday and Thursday afternoons, *Vanessa*, who combines chutzpah and chest in prodigious quantities, confronts sad cases and gets them to tell all, while on Monday *The Nick* had cameras dogging tha footsteps of the Leeds constabulary.

Unfortunately, British reticence and sense of fair play make *Vanessa* a pale charade of the American template. There, a typical programme would include a woman who has exploded into a 20-stone monolith surrendering to the urges of the braying crowd and publicly casting off the quivering husband by her side, who reacted to her weight gain by playing around. "I'm beautiful; I'm beautiful" sbe yells through ber tears, while he wonders what has hit him.

In contrast, Vanessa is fudge. In her first show the curiosities for public humiliation were a couple of virgins. The species has apparently disappeared from our shores, so examples were flown in from the US. During the show more virgins stood up to be counted, reducing nigbt cluh owner Peter Stringfellow, who is not a virgin, to stunned silence. Just to sort out who's who, Stringfellow had his own caption: "Peter can't remember bow many women he's bedded".

With the audience contributing platitudes, and Vanessa tha cosy folk wisdom of her Jewish grandmother, the programme is totally dependent on the eccentricity of the participants for its beef. Vanessa struck gold with Sarah-Jane, a 37 year old virgin who has a doctor's certificate to prove it. Sarah-Jane also likes to flounca around in sexy undies, which confused the audience.

Programmes like *Vanessa* only offer a little afternoon escapism (it is appropriately sponsored by Death by Chocolate) when they could be bringing light to relevant issues and or help to a TV audience which is likely to be in need. In most of the world virginity before marriage is accepted as the norm: a debate on why it arouses such outrage in the west would be worthwhile.

At least *Vanessa* is lively, and decorative, thanks to a make-up policy which ensures that everyone on screen comes up looking like roses (in the US tbe audience doubles as a lynch mob), and loosely democratic. It is a step on from the traditional chat show featuring oleaginous bosts and stars wanting a plug which is fast becoming a moribund art form.

The BBC's attempt to resuscitate it late Saturday witb Danny Baker, a Vanessa lookalike, only succeeds in digging its grave deeper. Baker's Jack the Lad personality is a fine background diversion on early morning radio, but finds itself cruelly stretched around midnight. You need more than manic laughter and obsequious guying to maka entertainment out of interviews with Malcolm McClaren and Timothy Spall. McClaren'a prepared anecdotes meandered into silence while Spall, with attractive subversion, said he was bored with switching on the television and always seeing himself.

Still, Baker is trying. Clive Anderson's on-screen persona in *Clive Anderson Talks Back* is one of scarcely controlled panic, which infects the audience with contrived bysteria. It is like a gaggle of the condemned trying to cheer themselves up on the way to the gallows. Consciously or not, Anderson subverts the format by constantly reminding his guests, this week John Prescott and Griff Rhys Jones, of the conversations they had last time they were on his show. This was jolly useful for Jones, who seemed to think he could earn his fee just by grinning. Only Patrick Moore, as loony as only a moon-gazer can be, added a glimmer of spontaneity to a sad 40 minutes.

Yon know chat shows are dead because those traditional artistic vultures, the satirists, are feeding off the corpse. In *Knowing me ... knowing you* Steve Coogan, throngh his alter ego, Alan Partridge, perfectly captures the tetchiness thet often lies just under the smooth veneer of the hosts, along with their vanity and the phoney matiness. His show has taken time to gel, but last week was spot on witb a reproof for tbe bandmaster who attempted a little improvisation; a dire medley duet of Abba songs with the visiting American "star"; and a well set up climax as Partridge, lounging in the jacuzzi awaiting the raunchiest team of dancers in Europe, was confronted by five male strippers.

Sometimes Partridge is too subtle for the format and there is no obvious way for the programme to progress. He could follow the lead of the American precursor, *The Larry Sanders Show*, where actor Garry Shandling has opened the programme out to portray Sanders, a tub of indecisiveness, tussling with his manager, his feed, and his wife.

After an excess of crime programmes, both factual and fictional, *The Nick* finally looks like the real thing. Producer Paul Berriff may have marked his card by taking his cameras to one of the busiest police stations in the country, Gipton in Leeds, but for once it all rings


All chest and chutzpah: Vanessa Feltz

true – the role of the police as social workers, the terrible impact of crime on the victims, the alienation from society of the submerged tenth.

There is no attempt to build up heroes. Indeed, the first programme revealed the unglamorous working conditions of the police and the mundane sordidity of most crimes. There was also no attempt to show the Force as particularly successful – after a hair-raising chase the driver of a stolen car got clean away. *The Nick* was worth a forest of newsprint about crime and the causes of crime. The main purpose of the police comes across as bandaging the scars of society, and the villains are shown for what they are, destroyers of the lives of ordinary people.

Theatre

Neville's Island

Surely by now it is unfair to call Tim Firth an "Ayckbourn protégé": at 29 he has a television film (*Money For Nothing*) and two series (*All Quiet On The Preston Front* and *Once Upon A Time In The North*) under his belt, and has graduated witb bonours from the nursery of Mr. A's Stepben Joseph Studio in Scarborough. The format of his West End debut, directed by Jeremy Sams, is similar to those of his erstwhile patron – adroitly crafted comedy giving way to a dark, disquieting underside – but Firth has a voice of his own.

He economically, and *almost* plausibly, establishes his premise that four middle-managers on an outdoor team awareness development course can become marooned on an islet on Derwentwater for two days. His characters constitute a useful assortment of types: Neville, the team leader wbose inability to see the plain truth turns out to be a paradoxical blessing; Angus, the anal, domesticated nerd whose survival pack even includes a dinner suit and a choice of chopping boards; Roy, vacuously born again after a don't-mention-the-breakdown episode in his past; and Gordon, the sarcastic git wbose acerbity fuels most of the early bumour.

This last character is a gift for Tony Slattery, who gives free rein to the obnoxious side of his persona; glares of brooding incomprehension followed by savage yet still funny Molotov cocktails lobbed at the defects of his companions. The second act's inexorable burrowing to the characters' cores shows us what many may have wanted to achieve at one time or another: Slattery in helpless tears of bumiliation.


Comedy with a dark underside: Jonathan Coy, Tony Slattery, Michael Siberry and Paul Raffield Alastair Muir

It is apparent almost from the outset that uncomfortable revelations are in prospect and that the comedy of inanity (at which the script excels) will ebh; this is a thirtysomething northern *Lord Of The Flies*, after all. Such subversion of dramatic formulae is itself formulaic by now. Firth, however, not only attains moments of Brian Patten-like lyricism during this phase, but goes for the soul-baring with a ferocity bordering on sadism. As Angus retreats into fretful catatonia at being a useless middle-class cuckold and Roy – the skeleton in his psychological closet all a-clatter – retreats in his underpants up a tree with an 18-inch knife, repeatedly bellowing the first line of *Oklahoma!*, the defiantly continuing laughs serve to heighten our discomfort rather than let us off the hook.

As Christian-turned-Ancient Mariner Roy, Michael Siberry at last gets a part which does not care about his rich, resonant voice and just lets him *act*. Paul Raffield's Angus is a model of frustrated banality; and Jonathan Coy is so skilled at underplaying that ba gives Neville, the undistinguished centre of events, few noticeable traits at all apart from befuddled amiability.

Lez Brotherston's remarkable set of tangled timber, gravel and part of the lake, around which the actors squelch with increasing mania, is an apt environment for a play which refuses either to subside into easy laughter or to plonk sententiously into the realms of earnestness, but straddles both registers like a grimly cackling bastard.

Ian Shuttleworth

Apollo Theatre, W1 (071-494 5070).

'Hamlet' without the prince

The Birmingham Stage Company has been bumouring the Hollywood actor Richard Dreyfuss, whose ambition was to direct *Hamlet*. This production at the Birmingham Old Rep marks his directorial debut and makes an evening of dire embarrassment. The text is cut to three hours including two totervals; it is a *Coles Notes* of a production – a summary of key points and key characters (no Fortinbras), with tbe key speeches all left in. Classroom didacticism sets the tona for Russell Boulter's "To be or not to be". He scrapes on the floor with chalk, just as be had earlier chalked "Claudius" as if on the tables of his memory; and chops up the famous speech into ponderable nuggets like a schoolmaster at a blackboard, using a great deal of sign language. I half-expected him to flourish an eraser at "ay, there's the rub".

Such a pun would have been in keeping with the levity of his first meeting with Horatio, the joke about the funeral meats coldly furnishing the marriage tables being delivered like a line by Ernie Wise. No mordant melancholy, inward searching, and philosophical ardour here. This is Hamlet as a plain, honest, reasonably intelligent young bloke, bounding through the play like an excitable young hound, lashing out at lover and mother, but enjoying himself the while, and perfectly amiable to the end. He evinces no psychological need for soliloquies, but these at least are clearly spoken, not like Clandius's soliloquy as given by George Irving, an indecipherable mumble.

It may be thet Dreyfuss dangerously intends to link Claudius and the Queen through poor articulation which betrays weakness of character. Certainly Irving's flat nasal vowels, glib bnt stumbling diction, and reliance on a still flappier sign language than Boulter's Hamlet are consistent with a shifty, amoral figure, over-anxious to persuade. Celia Montague's Gertrude presents a thoroughly superficial woman, bland-voiced as a bored and high-class London secretary. "There is a willow grows askant the brook" is pure Home Counties. An opening tableau is imposed of Clandius and Queen in lustful embrace; and she goes as far in connivance with him – or is it really true love? – as to brandish a pocket-knife when he is threatened by Laertes.

But I was more inclined to feel thet the diction abould simply be improved, and that of the gruffly Irish Laertes (Paudge Behan) and gabbling Horatio (Neal Foster) also. Steven Barkoff as the taped voice of the Ghost has his diction electronically treated, which confirms the resemblance of the actor miming the role to a gyrating Cyberman; but these fantastically distended vowels do provide a theatrical frisson. Bernard Kay is a nasty rather than a foolish Polonius, his prating very much abridged. Danlale Lydon's Ophelia has an aptly pre-Rapheelite prettiness and fragility though a fruity enough voice. The clumsiness of the staging is sucb that when Laertes leaps into her grave, Hamlet, Horatio and the grave-digger (Kay again) are already inside it, watching for the corpse to descend.

Paul Driver

Opera in Mézières/**Andrew Clark**

Yevgeny Onegin

If there is an operatic event unique to Switzerland, it mnst he the annual late-summer production at Mézières, a farming community in the rolling countryside north of Vevey.

The Théâtre dn Jorat resembles an extended barn, not mncb altered since it was built in 1908. It has primitive facilities, wooden benches and no heating. Acoustics and sightlines are good. The place has a knack of inspiring festival standards – bnt tbe atmosphere front-of-house is informal and unpretentious. This is popular art at its best.

We have to thank Renée Auphan – now in ber final season as director of the Opéra Lausanne before moving to Geneva – for making the most of Mézières these past ten years. The small pit limits the choice of repertoire, but she has proved resourceful. Wa bave had Glnck, Monteverdi and Mozart. This year sbe chose *Yevgeny Onegin*, in the original orchestration for 32 musicians. The idea was to restore some of the artless simplicity Tchaikovsky had in mind wben be handed its premiere to students of the Moscow Conservatory. And so the cooductor, Louis Langrée, was despatched to Russia to find the correct instrumental parts.

In the end, the mnsic sounded impoverisbed: perbaps we bave become too accustomed to hig-bouse Tchaikovsky. Bnt Langrée'a hasty tempi did not help, and the strings of the Lausanne Chamber Orcbestra sounded thin and wiry.

The real rewards were to be found on stage, in a prodnction hy Patrice Caurier and Moshe Leiser which spoke volumes with modest resources – at least in the first two acts. The wood-panelled veranda and interiors at tbe Larin estate were a natural extension of the theatre's own decor. Here was a pastoral idyll, a natural frame for intimate scenes. Bnt the designer, Christian Ratz, failed to find an appropriate metaphor for the St Petershurg act, which unfolded on a dark, snow-covered driveway. Sub-zero temperatures are hardly condncive to ruminating about love.

The cast was full of yonng, international singers making useful careers. Gino Quilico's Onegin was irreslstible – a bearded *beau* of impeccahle vocal distinctiou. His cool vanity worked well at first – this was a man for whom swooning women were clearly an everyday occurence. But his failure to register so mnch as a hint of vulnerability robhed the finale of poignancy.

The production, by Patrice Caurier and Moshe Leiser, spoke volumes with modest resources

The other men were very much in his shadow. Marcus Haddock made a well-schooled Lensky, tbongb tbe volce never really bloomed. Romuald Tesarowicz was the dutiful Gremin.

The women had more to say. Bernadette Antoine's Larina, for example, cut an unnsually chic and gracious figure, not unlike the ageing matrons you see around Lausanne. Gabriela Popescn's sumptuous mezzo was beard to advantage as Olga.

Micbal Shamir's Tatyana lacked tonal sweetness, bnt offered compensation in her portrait of repressed passion – pale and anorexic at the start, a girl with a Mills and Boon idea of love. The naive obsession of the Letter Scene was powerfully conveyed, verging on hysteria in the exchanges with Jocelyne Taillon's classic Filipyevna. This was the dramatic watershed, giving tbe rest of the performance an unfair sense of deflation.

INTERNATIONAL ARTS GUIDE

■ BONN

Oper A new production of La traviata opening on Sun marks the debut as staga director of Jürgen Rose, the distinguished German designer. Tha conductor is Steven Mercurio, and the cast is headed by Marisa Vitali, Michael Rees Davis and Thomas Mohr. This month'a repertory also includes Jenufa, Antonio Carlos Gomes' opera Il guarany and a new dance drama on the Dreyfus affair (0228-773667)

■ BORDEAUX

Palais des Sports Tonight, tomorrow: Alain Lombard conducts Orchestre National Bordeaux Aquitaine in Mahler'a Second Symphony, with Hélène Perraguin and Lilian Watson (5648 5854)

■ COLOGNE

Philharmonie Tonight: Emerson String Quartet plays quartets by Wolfgang Rihm and Beethoven. Tomorrow: Murray Perahia piano recital. Fri, Sat: Hans Vonk conducts Cologna Radio Symphony Orchestra in works by Diepenbrock, Mendelssohn and Stravinsky, with violin soloist Joshua Bell. Sun afternoon: Lithuan National Philharmonic plays Schubert, Beethoven and Sibelius. Sun avening: Rafael Frühbeck de Burgos conducts Berlin Radio Orchestra in Rossini, Prokofiev and Brahms, with violin soloist Elisabeth Glass. Mon: Milva (0221-2801)
Opernhaus Fri: Der fliegenda Holländer with Wolfgang Schöna and Lisbeth Balslev. Sat: Handel's Aggripina. Sun afternoon: Puccini'a Trittico (0221-221 8400)
Halle Kalk Tonight, Fri, Sat, Sun: Shakespeare's King Lear directed by Günter Krämer (continues throughout the month). Krämer's production of Brecht's The Good Person of Sechuan is revived at the Schauspielhaus next Wed (0221-221 8400)

■ COPENHAGEN

Royal Theatre A new production of Prokofiev's Love for Three Oranges opens on Fri, staged by Flemming Flindt and conducted by Jan Latham-Koenig (repeated Oct 12, 15, 18, 22 and 25). Ballet repertory includes Peter Schaufuss' production of La Sylphide, John Cranko'a Onegin and Hans Brenaa'a production of Coppelia (tel 3314 1002 fax 3312 3692)

■ DRESDEN

Semperoper Tonight, Sat: Ingo Metzmacher conducts Peter Konwitschny's new production of Un ballo in maschera, with cast headed by Luana DeVol and Mario Malagnini. Tomorrow, Fri: Stephan Thoss' production of Prokofiev'a ballet Romeo and Juliet. Sun morning, Mon and Tues evenings: John Fiore conducts Dresden Staatskapella in works by Stravinsky, Prokofiev and Tchaikovsky, with piano soloist Lilya Zilberstein. Sun evening: Tha Cunning Little Vixen (0351-484 2323)

■ FRANKFURT

Jahrhunderthalle Hoechst Tonight: Libor Pesek conducts Royal Liverpool Philharmonic Orchestra in works by James MacMillan, Walton and Strauss, with viola soloist Tabea Zimmermann. Fri, Sat: Leipzig Ballet presents a Stravinsky programme. Next Mon: Christoph Eschenbach conducts Bamberg Symphony Orchestra in Beethoven'a Fourth and Seventh Symphonies (069-360 1240)
Alte Oper Tomorrow: Tokyo Philharmonic Orchestra plays works by Verdi, Rakhmaninov, Falla and Ravel. Next Tues: Murray Perahia piano recital (069-134 0400)
Oper Next Tues: opening of the 1994-5 season with tha first of three cycles of Wagner'a Ring, staged by Herbert Wernicke and conducted by Sylvain Cambreling, with a cast headed by Janis Martin, William Cochran and Harald Stamm. The second cycle begins on Oct 18 and tha third on Oct 25 (069-236061)

■ GOTHENBURG

Operan The gala inauguration of the new opera house took place last weekend. The next performance is Oct 15, when a new production of Blomdahl's 1959 opera Aniara will be unveiled. The first ballet production is Prokofiev'a Romeo and Juliet, opening Oct 21 (031-131300)

■ HAMBURG

Staatsoper Fri: Die Zauberflöte. Sat, Sun, Mon: John Neumeier'a production of Prokofiev'a ballet Cinderella. Tues: Il trovatore with Richard Margison, Alexandru Agache and Michela Crider. A new production of Rigoletto opens on Oct 16 (040-351721)
Musikhalle Fri: Libor Pesek conducts Royal Liverpool Philharmonic Orchestra in works by Brahms and Strauss. Sun morning, Mon and Tues evenings: North German Radio Symphony Orchestra (040-354414)
Deutsches Schauspielhaus Fri: first night of new production of Lessing's Nathan the Wise and Marlowe'a The Jew of Malta, in a combined five-act sequence directed by Anselm Weber (040-248713)

■ HELSINKI

Finnish National Opera This week's performances are given by the Royal Opera of Stockholm, featuring Verdi's Simon Boccanegra, Ingvar Lidholm'a Strindberg opera A Dream Play, and Lars Runsten'a chamber opera Amorina. Markus Lehtinen conducts a Prokofiev concert on Sun (0-4030 2211)

■ LEIPZIG

Gewandhaus Tomorrow: Yehudi Menuhin conducts Philharmonia Hungarica in works by Brahms, Schumann and Bartok. Sat: Jahja Ling conducts Gewandhaus Orchestra in Mahler'a Sixth Symphony. Sun morning, Mon evening: Mark Gorenstein conducts Middla German Radio Symphony Orchestra and Chorus in works by Chopin and Cherubini, with piano soloist Boria Bloch. Sun evening: Peter Gülka conducts Leipzig Chamber Orchestra in Krenek, Webern, Mahler and Schoenberg, with baritone Wolfgang Holzmair (0341-713 2280)

■ LYON

Opéra Tonight: Dmitri Hvorostovsky is baritone soloist in a concert with tha Opéra orchestra conducted by Kent Nagano. Next Tues in Halle Tony Garnier: first of six performances of Angelin Preljocaj's production of Prokofiev's ballet Romeo and Juliat. Oct 16: Nagano conducts first night of Louis Erlo's new production of La Damnation da Faust (tel 7200 4545 fax 7200 4546)

■ MUNICH

Staatsoper Tomorrow, Sun (also Oct 17, 20): Lucia di Lammarmoor with Edita Gruberova and Dennis O'Neill. Fri: Ray Barra's production of Minkus' ballet Don Quixote. Sat (also Oct 12, 18): Tannhäuser with Heikki Siukola, Bernd Weikl, Nadina Secunde and Marilyn Schmiege. Mon and Tues: Giuseppe Sinopoli conducts Bavarian State Orchestra and Chorus in Mahler's Third Symphony, with mezzo Marjana Lipovsek (089-221316)
Gasteig Tomorrow, Fri: Ivan Fischer conducts Bavarian Radio Symphony Orchestra in works by Chopin and Bartok, with piano soloist Ronald Brautigam. Sat: Tokyo Philharmonic Orchestra plays Verdi, Tchaikovaky, Fall and Ravel. Sun: Milva (089-4809 8614)
Herkulessaal der Residenz Fri: Maurizio Pollini plays Beethoven piano sonatas. (089-299901)

■ OSLO

Konserthus Tomorrow, Fri: Horst Stain conducts Oslo Philharmonic Orchestra in works by Reger, Mozart and Brahma (2283 3200)

■ STRASBOURG

Théâtre Municipal Tonight: Ballet du Rhin presents a tribute to choreographer Kurt Jooss. Next Wed: first night of Dieter Dorn'a new production of Salome (8875 4823)
Palais de la Musique Tomorrow, Fri: Theodor Guschlbauer conducts Strasbourg Philharmonic Orchestra in works by Mahler and Strauss (8852 1845)

■ STUTTGART

● Rolf Riehm's new opera, Das Schweigen der Sirenen, receives its world premiere on Sun at tha Staatstheater, where repertory also includes La boheme and Monteverdi's Ulisse (0711-221795)
● Gabriele Ferro conducts tha State Orchestra at the Liederhalle on Sun morning and Mon evening. The programme consists of works by Stravinsky and Prokofiev (0711-221795)

ARTS GUIDE
Monday: Berlin, New York and Paris.
Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington.
Wednesday: France, Germany, Scandinavia.
Thursday: Italy, Spain, Athens, London, Prague.
Friday: Exhibitions Guida.

European Cable and Satellite Business TV
(Central European Time)

MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Chennel: FT Reports 1230.

TUESDAY
Euronews: FT Reports 0745, 1315, 1545, 1815, 2345

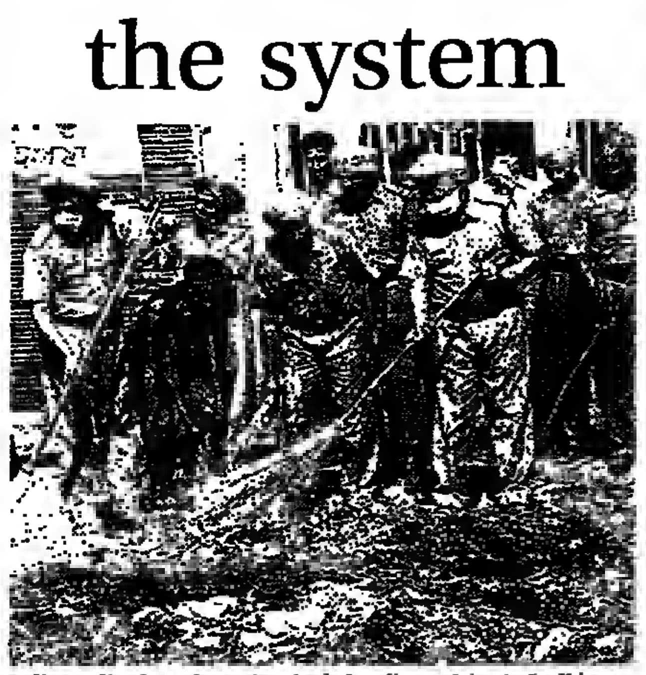
WEDNESDAY
NBC/Super Channal: FT Reports 1230

FRIDAY
NBC/Super Chennel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Supar Channal: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Stefan Wagstyl on the policy implications of plague in India

A shock to the system


Indian police in a plague-inspired cleanliness drive in Ludhiana

The panic that has gripped India since the outbreak of plague in the city of Surat less than two weeks ago has had at least one salutary effect. The country's elite has been forced to consider the ebocking *physical conditions* in which most of their countrymen live.

Although only 50 people have so far died from the disease, a tiny number in a population of 900m, plague has shaken the complacency of middle-class Indians. In India, as in other countries, plague has spread fear because of its frightening history, its mysteriousness, and the speed with which it strikes.

With the disease claiming new victims every day, the outbreak has prompted a political debate about India's public health and economic and social development.

Indian newspaper commentators have attacked the government of Mr P V Narasimha Rao, the prime minister, saying the free-market economic reforms pursued for the past three years are not enough to bring genuine prosperity to the great mass of Indians.

As the Times of India, the premier English-language daily newspaper, said in an editorial: "Unless India strengthens its social foundetions ... it can hardly hope to build a globalised industrial economy."

India prides itself on the advances in the health of its population over the past 40 years. Since Independence in 1947, average life expectancy has almost doubled from 32 years to 60 years. The infant mortality rate has fallen from 165 per thousand births in 1960 to 79. Smallpox has been eradicated and leprosy brought under control.

But despite these achievements, India has fallen behind many other developing countries. According to the United Nations Development Programme's annual report, India ranks 134th among 173 countries in the average citizen'e overall quality of life, inclnding health and education standards as well as per capita income. Since India is placed 114th by income per head, the country's education and healthcare are failing to match its economic performance.

India spends just over 3 per cent of its national income on health, about the same as other poor countries monitored by the UNDP. But expenditure has stagnated in recent years, because of a squeeze on public spending which started in the mid-1980s and became more severe after Mr Narasimha Rao started his reforms in 1991.

According to the World Bank, the proportion of gross domestic product spent by India's states on social services, including health and education, has fallen from 5.3 per cent in 1990-91 to 4.8 per cent in the year to March 1994.

India's education and healthcare are failing to match its economic performance

Professor D Banerji of the centre of social health and community medicine at Jawaharlal Nehru University in New Delhi says: "In the past few years we have compromised our health services."

The impact on public health of the modest priority given to health spending is compounded by the way funds are used. India has 146 medical colleges, which offer some of the best quality training in the developing world. The medical establishment prides itself on producing doctors who carry out world-class research and perform advanced neurosurgery and heart transplants.

But too little attention is paid to providing basic services for the poor, such as affordable clinics. It is private health clinics that have mushroomed in the past decade, even in slums. They often offer poor quality health services, with some doctors accused of working in league with local pharmacists to foist the maximum amount of tablets on ignorant patients.

And, as the plague outbreak in Surat has shown, private clinics cannot replace public services in an emergency. Private doctors and nursee were among the first of the 300,000 people who fled the city.

Better medical services are not the only requirement, however. India's poor need good water supplies, drains and sewers. The country has spent heavily on some of these basic amenities since Independence, bringing safe water to 75 per cent of the population. However, other services have been neglected, notably the provision of toilets. Only 13 per cent of Indians have lavatories; the rest use public conveniences or squat in the open air.

The impact of this is bad enough in the villages; it is much worse in the sprawling, fast-growing cities. An estimated 20 per cent of urban Indians have no properly built home and sleep in the streets or in huts made of mud, wood, rubbish and plastic sheets.

Although many have lived in the same homes for years, they usually have no legal right of occupation and the municipal authorities cannot provide services. As Mr K K Dutta, director of the government's National Institute of Communicable Diseases, says: "How can you plan for these unauthorised settlements?"

Even in middle-class districts, the drains and sewers are often blocked and the rubbish is collected infrequently. The municipal authorities have limited powers to fulfil their responsibilities to provide these servicee – especially to raise taxes to pay for them.

Until the plague erupted, Indians mostly thought nothing of a pile of stinking refuse rotting in the street. "We lack civic sense," is a common complaint of middle-class Indians. What has been missing, however, is an understanding of the dangers of living surrounded by so much filth.

The plague has forced people to confront these facts. Already there are improvements: the streets of Delhi and Bombay have never been as clean as they are today. But sustaining this requires investment in municipal services and in public health education.

It will be difficult for tha government or municipalities to find the money needed to improve services. But India cannot afford to neglect social services – poorly housed, badly fed, illiterate workers cannot participate fully in a fast-moving modern economy.

While India has succeeded in the past three years in curbing the overall amount of public spending, it has done little to direct it into the areas of greatest need. State administrations spend 41 per cent of their revenues on interest payments, wages and other administrative costs, up from 31 per cent in the 1980s. That leaves 59 per cent for development spending such as building schools, sewers and hospitals.

As part of his economic reform plan, Mr Narasimha Rao has considered full-scale privatisation to raise funds for clearing debt, early retirement to cut public sector staff levels and improvements in tax collection. With the exception of the latter, there has been little progress. Perhaps the plague will galvanise the authorities into action.

PERSONAL VIEW


Renato Ruggiero: the WTO has to be the rampart for the defence and expansion of free trade

Agenda for trade

Renato Ruggiero, would-be head of the WTO, on its tasks

"If goods cannot cross borders, soldiers will." This familiar thought vividly depicts the strong influence that trade exercises on politics. Protectionism is a road that leads to economic nationalism and, as history proves, economic nationalism can easily transform itself into political nationalism.

That is why the establishment, on January 1 1995, of the third Bretton Woods Institution, the World Trade Organisation, will be an outstanding achievement, not only for the world economy but for stability. Every possible effort has to be made to achieve this target date. The urgency of completing the ratification of the Uruguay Round is of paramount importance.

The top priority for the new institution is clear. The World Trade Organisation has to be the rampart for the defence and expansion of free trade in a system of clear rules. At the same time, the WTO should become the guarantor of an efficient and credible multilateral trading system in a new era of global co-operation.

But to declare the vital importance of free trade will not be sufficient. The new institution should develop a special taskforce with the aim of showing governments and public opinion what is at stake when making choices between free trade and protectionism. The globalisation of the economy and growing interdependance of national economies will increase the importance of the way each government handles its economic affairs.

In fact we face an unprecedented prospect of economic growth. Between 2bn and 3bn people in Asia, Latin America and the former communist countries are entering the market economy. As both consumers and producers, they could be seen by their trading partners as an opportunity or as a challenge. The World Trade Organisation has to convince people and nations that only free trade represents the right answer to this new opportunity for growth.

One of the greatest successes of the Uruguay Round has been the active participation in the negotiations, for the first time, of a very large number of developing countries. Their behaviour has shown that they want to act as full partners in the multilateral trading system and that they are ready to participate in the liberalisation process by opening their markets. The WTO will be responsible for safeguarding their tegitimate expectations that their efforts will be duly matched by access to the markets of developed countries.

We have to take into account the fact that the international trading system is no longer in the hands of a small group of big players. The success of the new institution will depend heavily on its ability to represent the interests of all groups, including the least developed countries.

At the same time it is clear that, while free trade is the engine of growth, it cannot solve all the world's economic problems. That is why the new task of co-ordinating the work of the WTO with the International Monetary Fund and the World Bank will be so important.

The Uruguay Round has successfully established a unified and strong system for the settlement of disputes. It is important that the new procedure should be rapidly implemented as a response to the requirements of the trading system.

The efficient functioning of the new dispnte settlement procedure will be a central feature of the system. If it does not function efficiently, the rules of international trade will not be safe from attack.

This requirement gains importance from the end of the cold war. Now that political considerations no longer have to be subordinated to security, there is a risk that trade conflicts will blow up out of all proportion.

Last but not least, there is the growing importance of regional economic groupings such as the North American Free Trade Area and the European Union. This trend has produced remarkable successes in the process of liberalising trade around the world.

In a global economy, these regional groupings facilitate the task of trade negotiations by decreasing in certain cases the number of players needing to be involved. They also encouraga compromise between member governments.

Regional groupings are losing some of their importance from the point of view of trade preference, with tariff levels on the industrial products of the industrialised countries at only around 4 per cent. But the increasing role of regional groupings as negotiating partners makes it easier for them to defend the trade interests of members. They may also seek to impose their own rules in international negotiations.

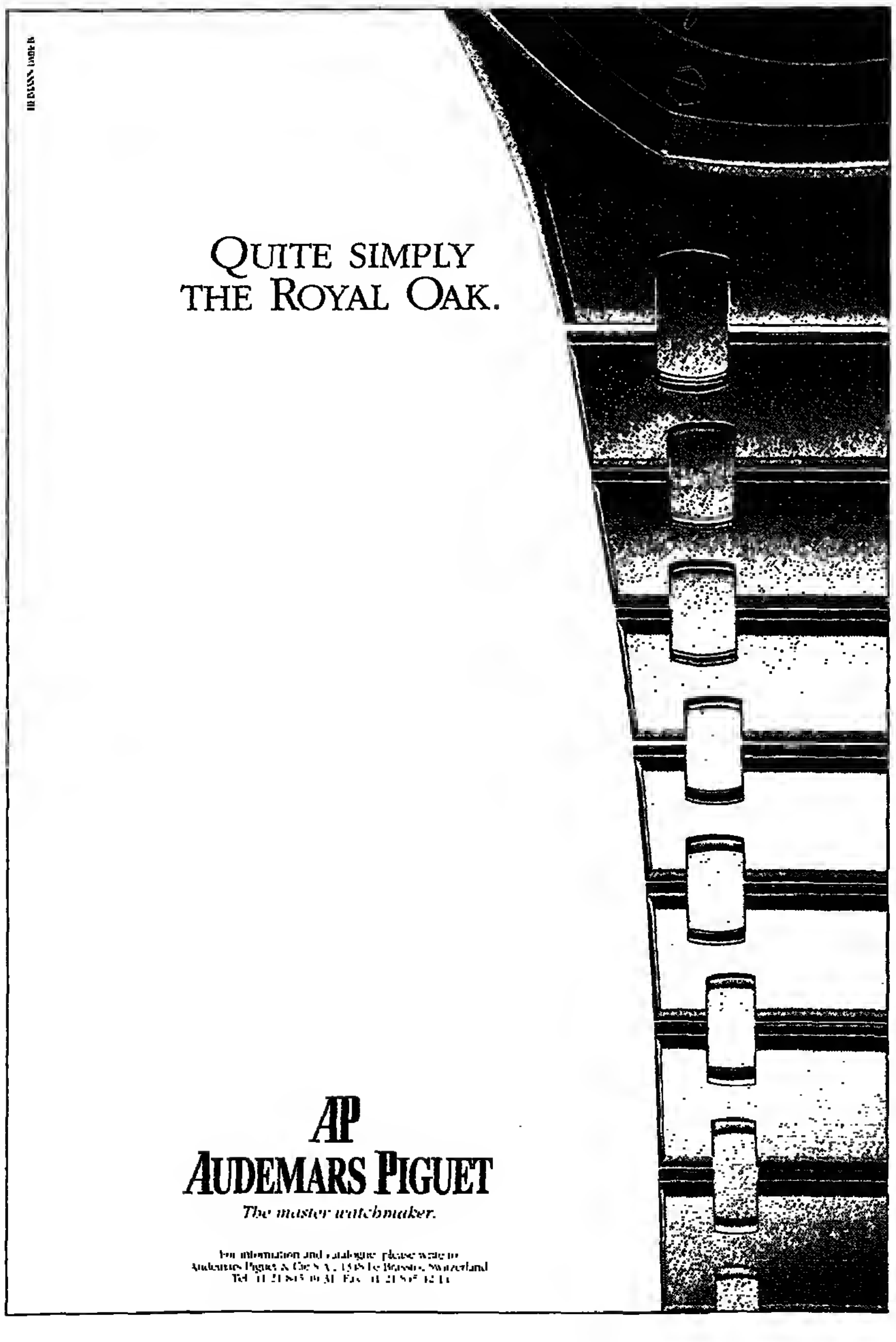
Without an efficient and credible multilateral system, therefore, there is a risk that regionalism will bring the world economy back to bilateralism. The danger is no less important than the risks of e new protectionism.

The new institution will face a formidable agenda. First, the implementation of all the agreements reached in the Uruguay Round. At the same time the unfinished business – which could not be settled in the final stage of Uruguay Round negotiations – has to be concluded. Liberalisation of financial services, shipping services and telecommunications are on the list.

The establishment of an environment committee with a clear mandate should pave the way for a solution to the difficult question of how to reconcile environmental objectives with Gatt rules. The relationship between competition policy and trade, and the treatment of investment are to be high priorities. Some governments have also raised aspects of the very complex problem of labour standards.

Yet what is at stake now is the capacity of the world community to engage itself in increasing the standards of living of all mankind. This long-term effort will require more trade, more free trade and an efficient multilateral system.

The author has served as Italy's ambassador to the EC and secretary general at the foreign ministry. As trade minister between 1987 and 1991, he implemented the programme for liberalising Itolinn foreign trade and capital movements.



LETTERS TO THE EDITOR

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Management is election issue

From Mr Robin W T Buchanan.

Sir, Fifteen years ago the Tories were emerging from an irrelevant, hackward-facing approach to the modern world, Labour was in thrall to the loony left and the Liberals were in cloud cuckoo land. The political parties offered three different strategies, all fundamentally wrong.

Today all three parties have roughly the same strategy, yet the columnists debete policy differences as fiercely as ever.

Surely now the three parties have agreed on strategy, we should be concentrating on the *effective management of policy* implementation. Unfortunately, this is a skill unknown to most politicians and ignored by most commentators.

As independent observers of, and advisers to, top management of leading UK businesses, we worry most if two ingredients are missing – first, powerful strategies and, second, the drive to implement them successfully. In public life we are now lacking the second.

If the policies of any of the three main political parties were implemented effectively the country would, in the main, be much better off. I seriously doubt that will happen. Apathy, passive resistance, politicking, pessimism, creaking institutional structures and lack of skills will conspire to frustrate them all. A serious dose of change management is required, but do any of the politicians have the skills? Let the next election be fought on management not manifestos.

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Decision needed on companies agency

From Mr Michael Whitwell.

Sir, The Department of Trade and Industry announced in July 1992 that there was to be a full review of Companies House which could lead to full or partial privatisation of the Cardiff-based registry. The review commenced in earnest in October 1992 when consultants were appointed to examine its operation and role. Since then, the DTI has considered various recommendations, decided against full privatisation and now, two years on, awaits further recommendation from the consultants on the appropriateness of contracting out most of the work of Companies House ("Companies House plans attacked", October 4). It is to the credit of the management and staff of the agency that they have continued to maintain an admirable quality of service throughont an unreasonably long period of uncertainty.

I have been among the critics of some of the activities of Companies House following its creation as one of the "Next Steps" agencies in 1988, but none of my criticisms has related to the quality of service, which has improved beyond reasonable expectations over the past six years. The companies registry is now viewed quite rightly as among the most efficient in the world today and is the envy of many jurisdictions.

It has to be qnestioned whether contracting out most of the work of Companiee House will lead to further improvements in efficiency or better value for money. The management and staff of the agency have a wealth of experience and the ability continuously to improve the service they provide to the business community, both in ensuring company law compliance and distributing publicly available information.

The annual report and accounts of Companies House, which won the Price Waterhouse award for the best agency report, highlights what has been achieved and gives a clear impression of the high quality of this organisation.

I do hope the period of uncertainty ends soon and the DTI makes a decision based on what is best for users of Companies House. My own view is fairly clear.

Michael Whitwell,
chief executive,
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Identify pensions payments

From Mr R V Simons.

Sir, Observer's comments ("Director's tonic", September 28) about the size of payments to Glaxo's directors miss one important point. At least the total burden on Glaxo's present and future income is quantified. The contribution to Sir Paul Girolami's pension schemes is stated to have been £696,000.

Contrast this with the typical company report. There it will be stated that the company's pension contributions for directors is whatever the average contribution rate is across the company multiplied by the directors' salaries. In Sir Paul's case, this would presumably be less than £200,000. The difference is between earmarking specific funds to pay for an individual'e peneion and assuming that it can be paid out of a general pot. The burden is the same: the accounting treatment is different.

Perhaps it is time that company reports were obliged to show by how much the actuarial value of directors' pension benefits had increased from one year to the next. And in the event of insolvency of a pension scheme, to relate benefits directly to contributions actually made. That could do wonders to ensure schemes' solvency.

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Protection measures would damage former socialist countries

From Dr Dean Spinanger.

Sir, Judy Dempsey nicety raises the issue of trade barriers against imports from former socialist countries ("European neighbours fall out over garden gnomes", September 26). However, Germany's steadfast EU border defence against unlawful intrusions by Polish garden gnomes will be dwarfed by protection measures which EU Mediterranean countries are trying to have enacted against clothing imports from Poland and other former socialist countries (FSCs).

The measures wonld be embodied in the pending revision of an EU regulation, which permits EU fabrics to be sewn into clothing outside the EU (so-called "offshore" processing) and then be re-imported under lower tariff rates.

In its most restricted version, the revision would cause a virtual drying-up of such clothing imports from European FSCs. And since mainly German companies have tapped this offshore potential (almost 70 per cent of the EU total in 1992), and these countries accounted for almost 20 per cent (roughly $4bn) of Germany's total clothing imports in 1993, German consumers will be the first, but not the only ones, to be mangled.

But why should Italy be behind such restrictione or even feel that the Germans are using their Council of Ministers presidency to attempt with Teutonic finesse to destroy the foundation of the "alta moda" industry? Is it because Germany has successfully gone "offshore" in the FSCs to produce high-quality, fashionable clothing, with which they could outperform Italy in leading EU and other export markets?

If this were the case, why should Italy then want to limit its own access to an obviously advantageous option, from which the Italian textile industry and the (still) highly competitive Italian textile machine industry would also definitely profit?

The fact that answers are *not forthcoming,* that the other industries have not protested and that consumers (not just in Germany) have remained silent, is simply due to the veil of secrecy with which the EU shrouds such decisions. Is Brussels listening to just a few, and giving little thought to what happens in the struggling FSCs it pretends to help?

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Out with the old

Like any new, young, energetic manager brought in to rescue a failed anterprise, Mr Tony Blair has begun his leadership of the Labour party by seeking a fresh statement of mission. It is clearly his intention to follow that with a thorough modernisatinn of every aspect of Labour's work.

He is to be congratulated. Voters will not believe that the party is absolutely purged of its former Marxist leanings while its statement of objectives contains Clause IV, which calla for whnlesale nationalisation. Labour, Mr Blair told the conference in his first speech to it as leader yesterday, "requires a modern constitution that says what we are in terms the public cannot misunderstand and the Tories cannot misrepresent".

It was an historic moment. In 1959 Hugh Gaitskell tried tn have the clause removed, but he was thwarted by the left. He died a frustrated man. His successors, from the then Mr Harold Wilson to the late Mr John Smith, have all avolded the reopening of the Clause IV debate, arguing that the revision of an antiquated few lines in an old document was not worth the danger of splitting the party.

Mr Blair has clearly decided that the balance of advantage lies the other way. He is right. The direction in which he seeks to lead the people'a party is away from state socialism, trade union dominance, high taxation, carefree expenditure, acquiescence in inflation, class warfare and some of the expensive hut anachronistic traditions of the 50-year-old welfare state.

It is towards becoming the party that tackles crime, supports the family, restores civic society, reconstructs the constitution and pursues social and economic objectives that are little different from those of one-nation Tories.

In the 76 days since he became leader, Mr Blair has done much to reposition his party. His carefully judged speech yesterday took the project further forward in leaps and bounds. He spoke not to "comrades" but to "friends" and "colleagues". He answered calls for the repeal of 1980s trade union legislation with a simple No, and set realistic limits to the expectations of the unemployed and the low paid. He insisted, above all, that the party be truthful with itself.

That established, ha sought to sell Labour as the party of all voters who reject the Conservatives. He did not mention the Liberal Democrats; his strategies could easily steal many of their supporters for Labour. Mr Blair, with his over-arching theme of the individual and the community as mutually supportive ("social-ism"), has laid down principles which many voters may find attractive.

Much work is still needed in coming months to turn those principles into practical policies, or even a detailed electoral strategy. There are also plenty of pitfalls ahead – from the precise level at which Labour sets its proposed minimum wage, to the inevitahle arguments about tax. But in setting out a broad framework within which the process of change must continue, Mr Blair has made an impressive start.

Cardoso's prize

The first-round victory of Mr Fernando Henrique Cardoso in Brazil's presidential elections – assuming tha official count confirms exit poll results – presents Latin America's largest economy with its best chance in years to move on to a path of sustainable non-inflationary growth.

This is good news not only for Brazilians, but for the rest of South America. The country has in the past five years become an open economy, and a growing Brazil could driva the growth of the whole region.

Mr Cardoso, as finance minister, was tha architect of the plan which has brought down Brazil's inflation from 50 per cent a month to below 2 per cent. He now has a chance to complete the job.

He has been right to emphasise the end of inflation as a policy priority. Inflation has widened already extreme disparities between rich and poor, corroded the country's social and moral fabric, and grossly distorted the economy toward non-productive activities. Defeating inflation is an essential objective that will allow him to concentrate on alleviating Brazil's social miseries.

A first-round victory will be helpful. It gives him a stronger mandate, strengthening his hand in the inevitable future battles with Congress, public servants and others who will resist reform.

It avoids a further six weeks of campaigning. This should allow him to advance planning on economic strategy, ready for when he takes over on January 1. It will also permit him to spend more time building a political coalition.

This is necessary because much essential legislation will require a two-thirds Congressional majority to change Brazil's leviathan 1988 constitution. There will be difficulties. There is no guarantee that Mr Cardoso's pre-electoral pact will survive and there is no reason to expect that Brazil's new legislators will display any more foresight than their myopic predecessors.

Mr Cardoso will be assailed from many quarters. Public and private sector pay claims, pressure from industry for a competitive exchange rate and an inflation-hooked financial system in which some banks are perilously weak could all combine to shaka his anti-inflation plan.

Yet his economic priorities are clear. The government hudget will be about balanced this year, but is still unstable. The conditions for long-term hudgetary stability will require constitutional changes to ensure fundamantal fiscal and social security reform. Measures are needed, too, to end state-sanctioned monopolies, to accelerate privatisation, to enhance the competitiveness of the economy and to reform the financial system – and to make the central bank independent.

Brazil has a long way yet to go, but the prize is great: a country focusing on its social problems and taking its rightful place as one of the world'a 10 largest economies as the economic leader of South America.

Insider dealing

Well-meaning hut unworkahle. That is likely to be the verdict on yesterday's consultation document from the London Stock Exchange on tackling insider dealing. The proposals could also prove more damaging to markets than the report appears to acknowledge.

The exchange's aim is to protect investors from the effects of trading based on unpublished price-sensitive information. Its main suggestion is that it will intervene whenever a share price hreaches certain pre-set criteria based on volatility. While investigating whether the jump derives from a leak of price-sensitive corpnrate information, it may issue an "alert" to the market, warning that the share is under investigation. Alternatively, it could declare trading "tndicative", removing marketmakers' obligation to quote firm prices and sizes at which they will deal. Or it could temporarily halt trading in a share, possibly leading to suspension of the listing.

The proposals arise from the exchange's acute and understandable frustration at the low level of prosecutions and convictions of insider dealers. They have also been prompted by improvements to its electronic surveillance of trading, which allow it more easily to monitor price jumps and discern traders' identities.

But the shortcomings of the proposals are legion. For a start, they are unlikely to pick up more cases of insider dealing, many of which do not cause the share price to move. Instead, they will "catch" a much larger group of trades – those which are motivated simply hy unsuhstantiated rumnurs. In doing so, the exchange is attempting to protect "outside" investors from the speculation nf market professionals, even where those professionals are not strictly insiders. But information and rumour will never be distributed evenly across a market. Given the frequency of such speculative trades, the exchange is setting the scene for a farce in which it may find itself playing a prominent part.

The measures are also potentially damaging to the markets. The exchange will itself be inserting price-sensitive information into the market, namely, that a stock is under investigation. Moreover, it sacrifices too lightly the principle that trading should be interrupted only in extreme circumstances, a principle which does much to protect investors.

For all the good intentions of yesterday's paper, the better way to protect the market is to convince traders and investors that insider dealing will be detected and punished. That may depend on improving the rate of successful prosecutions. Ministers and financial regulators should consider whether the burden of proof required in criminal prosecution is too high, and whether insider dealing ahould also be made a civil offence, as it is in the US. That question deserves serious evaluation. The best weapon against insider dealing is the carefully targeted pursuit of suspicious trades.

Edward Mortimer

United in wishful thinking

The Northern Irish seem fairly optimistic – but disappointments may lie ahead

As you leave the Bogside (or "Free Derry") and drive towards the centre of the city, whicb road signs elsewhere in Northern Ireland atill call Londonderry, a striking mural confronts you. It shows a back view of British soldiers walking into the distance, past a signpost clearly marked "London".

Seventy odd milea away is another mural, painted on the side of a house facing into the Shankill Road, a long finger of militant Protestantism thrust defiantly into Catholic west Belfast. It is literary rather than pictorial: "1969 IRA ran away. 1994 IRA surrendered."

So both sides have won. Or think they have. Or want you to think they have. Or are trying to convince themselves that they have. Or perhaps a mixture of all of the above. If there is ona common feature which just now seems to unite almost all factions in both parts of Ireland, it is wishful thinking.

Almost but not quite all factions – at least not if Dr Conor Cruise O'Brien, the former UN envoy and Irish cabinet minister, can be considered a faction. He greeted the IRA ceasefire on August 31 with a series of dire predictions in British newspapers, culminating in a chronology of disastera that included half a million refugees and 10,000 fatal casualties in a civil war ending "in stalemate with a smaller but entirely Protaatant Nnrthern Ireland"; a military coup in Dublin; and explosions in several British cities – all by the end of 1995.

I could not find anyone in Belfast or Dublin last week who would admit to believing in the whole of this scenario, but several people asked me what I thought of it, as though anxious to be reassured. In my turn I asked Mr John Bruton, leader of the main opposition party in Dublin, Fine Gael, what he thought. The nightmare was possible, he replied; but "on average you don't have a nightmare every night. The likelihnod is that it won't occur. The role of people like Dr Conor Cruise O'Brien is to prove themselves wrong by warning in time of the danger."

Many of the Northern Irish Protestants I met admitted to being more optimistic now than when the ceasefire was announced. The suspicion of a secret deal between the IRA and the British government has largely faded. Indeed, many express a degree of confidence in the British prime minister seldom heard on the mainland. His pledge of a referendum on any new arrangement for Northern Ireland is welcomed by unionists and generally believed. Even his rough treatment of the Reverend Ian Paisley, leader of tha Democratic Unionist party, seems to have paid off: several Protestants expressed embarrassment about Mr Paisley's behaviour, while the only person who criticised Mr John Major's reaction was a southern Irish diplomat.

There could, however, be a psychological explanation for this unexpected surge of unionist confidence in the British government. As Professor Paul Bew, a political scientist at Queen's University, pointed out: "It's very uncomfortable for unionists to believe in a sell-out, because if you really did believe that you'd have to prepare for a very unpleasant conflict."

The fact is that IRA violence against British and Protestant targets has completely ceased since August 31, and that that is a great relief to the people. Mentally they remain on their guard, but emotionally they cannot help relaxing a hit. Obviously it is nicer to think this relaxation has a good chance of becoming permanent than to prepare for a reversion to violence and insecurity in weeks or months.

The only thing unionists have ever had to hope for, all through the long years of violence, is that one day the IRA would realise the futility of the "armed struggle". Once they begin to think that that day might have arrived, the attraction of the thought becomes irresistible.

But of course the thought has to be rationalised. Evidence of some sort has to be found. It is found, paradoxically, in the very success and publicity which the IRA's switch to a "peace strategy" has enjoyed. Particularly for the Sinn Féin leaders, this conversion is seen as having produced such dividends in the shape of applause and respectability on both sides of the Atlantic that it seems hardly conceivable they would sacrifice it all by switching back to violence.

I found many people disposed to take Mr Gerry Adams's statement to the Boston Herald last week at face value, when he said no ona could guarantee "two or three years up tha road that if the causes of conflict aren't resolved another IRA leadership won't come along". In other words, people accept that Mr Adams and his colleague, Mr Martin McGuinness, are now personally identified with the new strategy to the point where, for them at least, there is no going back.

It was to see Mr McGuinness that I went to "Free Derry". Needless to say, he does not think the IRA has surrendered. Republicans, he said, were now "totally and absolutely committed to the peace process", hut their decision, which had "totally transformed the situation on this island", was "taken from a position of considerable strength".

Was thera a danger that the "peace process" could fail, I asked. Yes, he said. "In Ireland there is danger all the time. But I am not in any way at all looking at this from a pessimistic point of view. We have a very real opportunity to resolve this conflict."

Permanent? "Nothing in life is permanent," said Mr McGuinness. It was all up to the British government. "Since August 31 they have removed the broadcasting ban and reopened a handful of cross-border roads, while keeping the vast majority closed. Most peopla regard that as a measly response. There is a very real danger of the momentum being lost."

I asked what kind of solution to the conflict ha envisaged. "No party will go on record on its bottom line before a negotiation," he replied. "Of course our preferred solution is a unitary state, a united Ireland. Other parties to the negotiations will have a different view. But the key thing is acceptance by the British government that at some time in the future Britain will end its jurisdiction, even if that is some way down the road. When the British government accepts that inevitability, it will be a matter for all the Irish parties to work out the structures."

> **'We shall be very disappointed if the British government doesn't speak with Sinn Féin very soon' – Martin McGuinness**

Slightly twisting the words of the Downing Street Declaratinn, Mr McGuinness claimed that document already contained "a clear acceptance hy the British government that the solution has to be an island-of-Ireland solution". Britain, he said, had undertaken to "facilitate" sucb a solution, but the onus was on it to go one step further and "persuade" the unionists. "Once the unionists accept that the British government is involved in a process of disengagement, it becomes a matter for the people of Ireland. Psychologically, once the British government makes it clear to the unionists, you're talking about a very fertile field."

The "worst scenario", ha conceded, "would be that elements of unionism would try to rebel. In that case the British government should have the will to confront people who disrupt the process." He brushed aside my suggestion that, having once agreed to withdraw, Britain would be more likely to get on and do so, leaving the Irish of all persuasions to fight it out.

When I said that in the same declaration, Mr Albert Reynolds, the Irish prime minister, had agreed to give the majority in Northern Ireland the final say nn sovereignty, Mr McGuinness replied: "We would totally disagree with that." Why, he asked, should 900,000 unionists have the right to overrule 600,000 nationalists in Northern Ireland, when "on the island there are 3½m other people with a keen interest", not to mentinn "many millions" in Britain itself who, he claimed, "believe the British government shnuld disengage". "It's not fair," he concluded, "to give the destiny of Ireland solely over to those 900,000 people, as opposed to the feelings and wishes of all the others."

Nor would he accept that in a united Ireland the northern Protestants would form a minority at least as disgruntled as the northern Catholics now are in the UK. "Nothing could be further from the truth. Many political parties in the 26 counties [ie the south] are not too far distant from them: the Progressive Democrats, Fine Gael, the Democratic left." Together with these allies, he suggested, the uninnists might well fnrm a government "in a totally new Ireland". He did not seem to realise that, if some unionists do regard the southern parties he named as allies, it is because those parties accept, more clearly and less equivocally than the Irish government, that Northern Irish Protestants have a distinct culture and history, and have the right to remain in the UK.

But what, I asked, if Britain and the unionists are not so obliging? How long would the IRA tnlerate a deadlock? "I can't speak for them," said Mr McGuinness cnyly. "But Sinn Féin is committed to the peace process. We shall be very disappointed if the British gnvernment doesn't speak with Sinn Féin very soon. The talks need to begin now."

On its side, the government's position is that "exploratory" talks will be held *within* three mnnths, after it has sufficient iodications that the IRA intends the ceasefire tn be permanent, and there has been "a period nf verificatinn". My impressinn is that the period of verification has already begun, and that the gnvernment is waiting less fnr a specific form of words from the IRA than for a feeling that unionist npinion is ready.

Britain is certainly bothered, as is Mr Brutno in Dublin, hy the fact that the IRA does not regard the "cessation nf violence" as affecting the methods it uses to enforce nrder within its nwn constituency. The only change is that the presumed delinquents' legs and arms are now hroken with iron hars instead of their knee caps heing shattered hy a gunshot.

These "punishment beatings" are apparently popular in areas where the Royal Ulster Constahulary makes few attempts tn deal with common law crime. But, as Mr Bruton said, "an organisation that has to maintain that sort of intimidation in its own area cannot be said to be fully committed to democratic politics". He professed to hope that his own government "will put sufficient pressure on Sinn Féin to remedy those situations" – which sounds like more wishful thinking.

Another area of uncertainty is the future of loyalist violence. Everyone tells ynu, including their quasi-official spokesman, Mr David Ervine, that the loyalists are "close" to deciding on a ceasefire. But Mr Ervine added that they were held back by a "lingering fear" that the Framework Document for new inter-party talks, on which London and Dublin are working, would contain "something fearful for unionists" – meaning something that opens tha way to Northern Ireland's detachment from the UK and its creeping annexation by Dublin.

Mainstream unionists seem more confident that this will not be the case, pointing to the delay in producing the document (now expected in November) as evidence that London is resisting pressure from Dublin. The one thing that is certain is that no one in Northern Ireland will welcome the Framework Document when (or if) it does appear. It is bound to attract unionist suspicion, while falling short of even moderate nationalist hopes, let alone those expressed by Mr McGuinness. Moreover, as a spokesman for Mr John Hume's nationalist Social Democratic and Labour party candidly said, "anybody welcoming it would be mad", since they would thereby give the other side a reason to reject it.

Such is the nature of Northern Irish politics, which the non-violent parties and the British well understand. But the IRA and the loyalist paramilitaries have their own way nf registering disappointment when something falls short of their expectatinns. The Framework Document will surely disappoint one of them, and probably both. At that point, some of Dr Connr Cruise O'Brien's nightmares may start coming true.

Northern Ireland: the men shaping its future

John Major; Albert Reynolds; Reverend Ian Paisley; Gerry Adams; John Bruton; John Hume; Martin McGuinness

OBSERVER

Piëch of a problem

■ Ah, the tricky husiness of coming up with a Euro-name that doesn't offend somebody, somewhere.

Ferdinand Piëch, chief executive of Volkswagen, proudly presented at the Paris Motor Show yesterday tha group's new multi-purpose vehicle, designed to do hattle with Renault's highly-successful Espace, among others. And in Europe it will be called Sharan.

Sharan? That might be dandy in Germany, Italy or France, but in the UK it sounds mighty similar to Sharon, a girl'a name with decidedly down-market overtones.

Understandably, Richard Ide, managing director of VW'a UK importer/distributor, is less than thrilled. He says no decision has yet been mada on a UK name.

Could always try Wayne; or perhaps Cynthia? Gary has a nice ring to it. Maybe Ermintrude? Then again, what about...

Hezza on guard

■ Imagine what would happen if Michael Heseltine had been taken hostage by angry French airport baggage handlers. It may be a far-fetched thought. But why else did Britain's president of the board of trade apparently put pressure on the Department of Transport to delay the announcement that it was taking the European Commission to court over tha extravagant subsidies for Air France? It went out only after he had caught his plane back to London?.

Heseltine, on a trip to promote Anglo-French industrial collaboration, was in no mood to take any chances. Even at dinner on Monday night when one of the guests, a former Air France board member, discussed Air France subsidies, Hezza made a point of saying he had never brought up the subject. Chicken.

Rocking the boat

■ If you coma from the Rock of Gibraltar you learn how to take life's knocks. Take Joe Bossano, chief minister of Gibraltar, who has been doing the rounds – or at least trying to – at the IMF/World Bank meetings in Madrid this week.

Bossano, who is abont as welcome to the Spanish government as a banderilla is to a bull, hitched himself up at the last minute to the British delegation. As a Crown colony, Gibraltar is one of the very few remaining blobs of pink on the global map so he can't be refused. However, Her Majesty'a man in Madrid knows how to put people down and Bossano was not invited to Monday night's bash in honour of Kenneth Clarke, Britain's chancellor of the exchequer. Yesterday Spain's prime minister Felipe González snubbed Bossano again by refusing him an invite to

the champagne and tapas junket marking the formal opening.

Much more of this and Bossano will be declaring independence.

Ready steady

■ Surprise, surprise. Next year's Derby – first run on the Epsom downs in 1780 – is to be sponsored by Vodafone, the UK mobile phone mob which has more money than it knows what to do with. Nor, surprisingly, Gerry Whent, chief executive of Vodafone, and Sir Ernest Harrison, chairman, are keen on the gee-gees – Sir Ernest's horse Carnoethes came in third in the 1989 Derby. At the launch of the £3.5m, three-year sponsorship package at the Savoy yesterday Sir Ernest denied that the decisinn to back the Derby had originated at the top, but had been taken hy a company committee which had recommended it to the board. It was unanimnusly approved. Of course.

Staggering on

■ It's official. New Statesman readers dn not have a sense of humour. Several months ago the left-leaning weekly magazine started a competition to find the funniest jnke about Tony Blair, Labour's new leader. The winning joke was to have been annnunced in this week's Labour party conference issue but the magazine has failed to find a funny Tony Blair joke. Or maybe Blair just isn't funny?

Anyway, Observer is not prepared to give in so easily and offers a bottle of the finest malt for the best – printable – offering. Answers by mail or fax to 071 873 3926.

Red not dead

■ As and when the British Post Office is privatised, will the red pillar box be destined for the scrap heap? Doomsters fear the familiar piece of street corner furniture may go the way of telephone booths, which, following the sale of British Telecom, metamorphosed from sturdy red edifices to distinctly flimsier glass arrangements.

They should take heart, though, from Bill Cockburn, the Post Office's chief executive, who claims there are no such terrihle schemes afoot. To prove the point, he keeps a model of the Victorian post box in his office – a veritable beacon to his commitment to keep them red fnr e'er and a day.

The price is right

■ Kelvin MacKenzie's decisinn to join the Mirror group as executive director in charge of TV means at least he can again lcok forward to some fireworks. One of his juniors will be Janet Street Porter, a long-in-the-tooth TV type who is leaving the BBC to run Live TV. MacKenzie has never enjoyed playing second fiddle. But with zilch TV experience, he might have to – for a while.

Gore or more?

■ Mark Melcher, a political analyst at Prudential Securities in the US, cites a recent poll which asked women whether they would rather sleep with Bill Clinton or vice-president Al Gore; 70 per cent plumped for Gore.

He had trouble believing that, so checked the wording of the question. In fact, the women were asked whether they would rather sleep with Al Gore or with Bill Clinton *again*.

FINANCIAL TIMES
Wednesday October 5 1994

Blair signals historic move towards political centre ground

UK Labour leader plans shift on state ownership

By Philip Stephens, Political Edito

Mr Tooy Blair pledged yesterday to rewrite the UK Labour party's constitutional commitment to public ownership, using his leadersbip debut at the party's annual cooference to underscore a historic shift towards the political centre ground.

His surprise decision to signal at the confereoce an end to the party's 75-year attachment to *Clause 4 of its constitution came* in a speecb which redefined Labour's economic and social ambitions.

The move, hacked by his more traditionalist deputy Mr John Prescott, represented a calculated effort by Mr Blair to persuade the voters that his leadership foresbadows an irreversihle shift in the party's policies.

Clause 4, committing the party to "common ownership of the *means of production, distribution* and exchange" has been a symbol of Labour's socialism since it was first stamped on memhership cards in 1918.

It was last challenged – unsuccessfully – hy the then Labour leader Mr Hugh Gaitskell after the party's election defeat in 1959. But Mr Blair said Labour now needed a "clear, np-to-date" statement of its objectives.

In a confident, uncompromising performance which won warm applause from from his audience but later drew sniping from some on the party's hard left, Mr Blair said that the party bad no alternative hut to change.

He told the annual conference in Blackpool, north-west England: "We have cbanged and we were right to change. Parties that don't change die and this party is a living movement not an historical monument."

Directing his speech at a far wider audience than the 4,000 delegates and supporters in Blackpool's Empress Ballroom, Mr Blair embraced the market economy, underlined his support for *the family and reassured* the middle classes that Labour had abandoned its high tax and spending policies. There would he no wholesale repeal of the government's trades union laws and a tough stance on rising crime.

In spite of earlier disputes at the conference over taxation, he insisted: "To middle and lower income Britain facing the biggest tax rise in peacetime history – Labour is on your side."

Casting Labour as the party of the majority rather than the "privileged few", he launcbed a fierce attack on the Conservatives for their "incompetence" and dogmatic attachment to *unfettered market forces.*

Labour's ambitions for a partnership between public and private sectors would foster individual opportunity: "We are the mainstream voice in British politics today – Labour back to speak up for Britain, Labour back as the people's party."

Mr Blair appeared confident after his speech that his plan for a new statement of the party's ambitions – which he will present to the *National Executive* before Christmas – would be carried at next year's conference.

Editorial Comment, Page 17

Yeltsin promises to speed up pace of economic reforms

By John Lloyd in Moscow

Russian president Boris Yeltsin yesterday committed his government to a faster pace of economic reform and to further measures, including tax changes, aimed at attracting foreign investment.

Speaking to the press one year after he quelled an armed rebellion hy members of the Supreme Soviet, Mr Yeltsin underlined that Russia now understood that success depended on its own resources. Nothing, he said, would deflect the government, from reform.

The Russian president:

- Promised there would be no changes in "key" figures in the government, although he left tbe door open for members of opposition parties, including communists, to *join* the cabinet, and said there could be changes in his circle of advisers.
- Declared himself against a postponement in presidential elections, although some of his closest allies have floated the idea in both parliamentary and *presidential elections.*
- Claimed the country was stahle "socially, politically and in inter-ethnic relations", and dismissed a presidential hid from Mr Alexander Rutskoi, the former vice-president, and now a possible candidate of the nationalist/communist opposition.
- Said the economy had improved strongly since spring, with inflation down to 4 per cent, and savings on the rise. "We will bring down inflation further. We want to reduce mass unemployment. We have decided to strengthen reforms, not to *weaken them."*

None of the relatively few, prepared questions drew from the president any concern about the *rising* inflation rate or the rapid fall of the rouble – which dropped a further 25 points yesterday to stand at 2,668 to the dollar.

He stonewalled on a question on inter-enterprise debts, which run into many thousands of hil*lions of roubles and* loom as the largest domestic prohlem, and said nothing about Russia's call for extra loans from the International Monetary Fund.

Included in the 40 draft laws Mr Yeltsin said he would put to parliament will be proposals to make investment easier and to lower taxes imposed on investors.

The president said: "A favourahle investment climate must be created for Russian and foreign husinessmen. A modern investment infrastructure must be created. There is a need for tax reform, and tax legislation *should* be drawn up."

Mr Yeltsin said that Russia was a "great power" and that his recent trip to the US and the UK had established a recognition that it was not acting in a "neo-imperialist manner" hut that it had legitimate concerns about the civil rights of Russians living in the former Soviet states.

Japanese employees take drop in earnings

By Gerard Baker in Tokyo

Earnings hy employees in Japan's private sector fell hy 0.6 per cent in 1993 from the previons year, the first fall in average pay since records began 44 years ago, according to figures released yasterday hy tbe National Tax Administration.

Average annnal salary was Y4.52m ($46,288), down hy Y28,000 compared with 1992. Sharp cuts in the sizeable twice *yearly bonuses* paid to employees, which can amount to 30 per cent of annual salary, were the main cause of the decline. Basic salaries increased by 0.2 per cent on the 1992 figure, but average bonns payments dropped hy 3.7 per cent.

The long recession *that* began in 1990 has thus *finally* taken its toll on employee salaries. In the boom years of economic growth in the 1960s and 1970s, donble-digit annual *percentage* increases in pay were the norm.

After a hrief deceleration in the early 1980s, salaries soared during the so-called "hnbhle economy" at the end of tbe decade, when asset prices and company profits jumped. In the past four years, the fall-ont from the "buhhle" period has led to a collapse in corporate profitability, bnt until last year companies had maintained regular salary increases.

Witb price inflation at just below zero, the decline in nominal pay translates into a slightly smaller decline in *real terms.* Bnt both figures offer a stark illustration of the deflationary forces at work in the economy. Faced with falling prices, companies are being forced to cnt pay, heightening the danger of a downward deflationary spiral.

While the hard-pressed salaryman adjusts to unprecedeoted ansterity, Japanese women employees last year recorded a slight advance. Their average salaries rose 0.8 per cent, while those of men fell by 0.5 per cent.

The gender gap is unlikely to he closed soon. The figures showed women earned an average Y2.7m.

Total income tax paid represented 6.5 per cent of total earnings, low hy *international* standards bnt close to a record high for the Japanese who have long enjoyed a low tax base.

Rice liberalisation, Page 7

THE LEX COLUMN

Lloyd's wipes the slate

Yesterday's judgment in favour of the Gooda Walker names represents an overdue mucking out of a very dirty Lloyd's of London stable. There is considerahle uncertainty about tha amount of mooey that Gooda Walker names will eventually receive, but the ruling should pave the way for settlement of at least some of the outstanding litigation against Lloyd's.

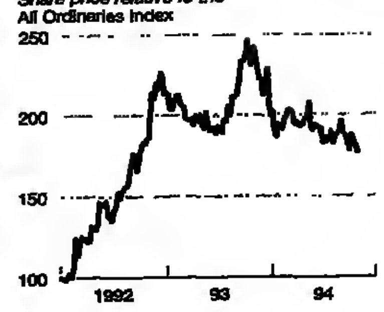
The eventual payout will be borne substantially hy other Lloyd's names who provided errors and omissions cover to those now found negligent. This does not necessarily mean fresh calls on the Lloyd's market, as most of the expected losses have already been provided for. The judgment will probahly *accelerate* the exodus of individual names from the market, but potential corporate investors will recognise that the ruling relates to the past. The new Lloyd's offers rather appealing prospects for those convinced that the market has made a clean break with its recent history.

For the 1993 financial year, Lloyd's is expected to make a profit of £800m-£1bn. The worst underwriters at Lloyd's have been driven out. Those that remain are highly selective in *taking on new risks*: the market's capacity will only be about 75 per cent utilised this year. Lloyd's biggest problem is that it must still set up reinsurance to cover pre-1986 risks, primarily on US asbestos and pollution claims. Investors may be unwilling to commit substantial new capital until the new arrangements are in place at the end of next year.

FT-SE Index: 3001.8 (+18.3)

News Corporation

Share price relative to the All Ordinaries Index



Source: FT Graphite

Ford

That Ford, the UK's largest car maker, has introduced short-time working for October and probably for the rest of the year, should set alarm bells *ringing. The question is whether* they are ringing for Ford, the UK automotive industry, or the economy in general.

Ford's UK business is clearly in difficulties. The group's market share has slipped from 30 per cent in the mid-1980s to just 22 per cent. But the company's particular problems only partly explain yesterday's announcement. It was also an admission that the UK automotive industry had been expanding at an unsustainable rate. Car sales during the first seven months this year rose an astonishing 14 per cent, far faster than the economy. In August, the most important month of the UK automotive calender, sales growth slowed to only 2.8 per cent, a deceleration likely to be confirmed by Septemher's figures tomorrow. If more discounts are needed to inject life into the market, margins for manufacturers and suppliers will remain tight – hence yesterday's fall in automotive component manufacturers' shares.

A deceleration in the UK automotive market is unwelcome when prospects for tbe retail and housing sectors remain so uncertain. However, any slowdown need not undermine the UK's economic recovery. Ford, with the lowest proportion of overseas sales of any significant UK manufacturer, has been unable to export itself out of trouble. Others should compensate by increasing exports to rapidly recovering continental markets.

Hambros

This has turned into a really bad week for merchant banks. The temptation after Hambros' profits warning *yesterday is to conclude that something* is wrong which no amount of strategic fine-tuning can rectify. Whereas Warburg suffered as a result of its global aspirations which had led to an increased emphasis on trading, Hambros is diversified with a range of niche activities like estate agency and insurance loss-adjustment. Even in the bond, markets its focus is on issues in high-yielding antipodean currencies: it declines to take the big houses on in US dollar Eurohonds. Yet this spread of husiness has not spared it from the ravages of the market.

For Hambros, this raises a specific worry about dividend cover, which now starts to look rather thin. Two profit warnings in this sector in as many days must focus minds elsewhere too. *If the quality of earnings* from investment banking and the ratings attached to them are low, then it may make less sense for banks like Barclays to focus on such activity as an engine of growth. Institutions like Schroders may become more reluctant to push further into distribution, unless they believe they can make a decent return without relying on proprietary trading.

News Corporation

News Corporation's share price has dropped 6 per cent since it revealed a plan at the weekend to issue preference shares with restricted voting rigbts. Australian investors are worried that it could allow chairman Mr Rupert Murdoch to splash out on acquisitions without seeing any diminution of his family's 33 per cent voting strength. The scheme has echoes of last year's super-voting shares proposal, which was abandoned after institutional shareholders *rallied* behind the slogan of "one share one vote".

While some aspects of the original scheme were objectionable, there is little wrong with the new plan. Nobody is forced to sell ordinary sbares or buy preference shares. If some investors are happy to be disenfranchised, others should not cry foul. Rather, they should welcome the issue of preference shares as a way of expanding the group without taking deht on to its balance sheet – a course which nearly led to insolvency in 1990.

There is, of course, a risk that a tie-up with a telecoms group or some other multimedia venture would prove unwise. But nobody should invest in News Corp in the first place if they do not hack Mr Murdoch's strategic *vision.*

Insider dealing

The stock exchange's proposals for limiting insider dealing bave at least one thing to be said for them. Companies will not be happy if trading in their shares is suspended as a result of unusual price movements. But that is partly the point of the proposals. Companies wanting to avoid an embarrassing suspension would have every incentive to announce price-sensitive information they feared might leak out. And the sooner such information was puhlished, the less opportunity insider dealers would have to make a profit.

Names win court battle

Continued from Page 1

Association of Lloyd's Members, said last night that "the decisive result acbieved by the Gooda Walker Action Group should make it clear that the defendants of this and other spiral cases can expect no advantage from resisting Names' claims further in court".

A spokesman for Lloyd's said it "would do anything we can to help" a settlement but the initiative had to come from the defendants. Last night, however, lawyers representing the "errors and omissions" insurers, whicb provide Lloyd's agencies with cover against negligence claims, hinted they may appeal against yesterday's decision. The result of any appeal is unlikely to be reached before next summer. The insurers are certain to dispute tbe level of damages in court.

EU begins expansion move

Continued from Page 1

leaves for later debate difficult challenges such as how to integrate eastern agriculture into the EU's Common Agricultural Policy, and whether the Union would offer the six the structural aid it now channels towards its poorer regions and countries. Extension of these policies eastwards would by some estimates double the current EU hudget.

Ministers also agreed yesterday on a "structural dialogue" with the six eastern countries, comprised of seven joint ministerial councils and one joint summit of heads of state each year.

This replaces the *current practice* of the EU meeting each state individually.

Ministers also discussed how to extend the "partnership" arrangements the EU has with Russia, Ukraine and Moldova.

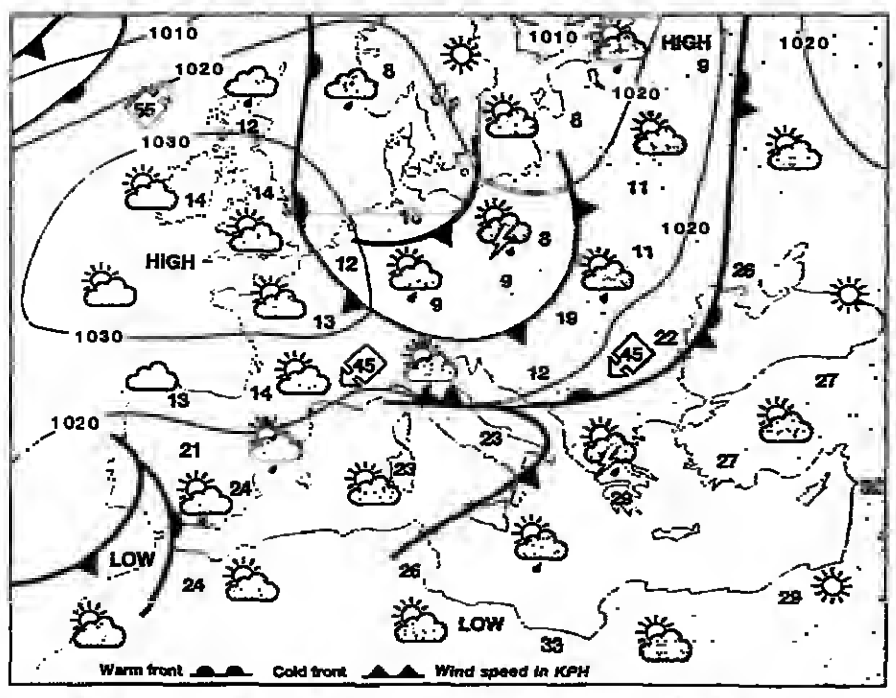
FT WEATHER GUIDE

Europe today

A cold front with rain will move into Russia. Unseasonably low temperatures will extend from the White Sea to northern Spain. There will be showers and thunder over the countries around the Baltic Sea and North Sea. France and the British Isles will be mainly dry and partly sunny with temperatures between 12C-14C. Southern Spain will have heavy showers, possibly with thunder. Scandinavia will continue cold, but southern and central Sweden will be sunny. The north will be cloudy with a local snow shower likely and afternoon temperatures will reach freezing. The Balkans will also be cooler with showers moving southward from Bosnia to Greece. Turkey will remain warm with temperatures between 25C-28C.

Five-day forecast

A surge of warm air will bring higher temperatures and mainly tranquil conditions to the British Isles, the Benelux and France. Eastern Europe will continue cool with widespread outbreaks of rain over the northern Balkans. The rain will return to central Europe by the weekend. There will be rain and some thunder in Spain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum		Beijing	fair	20	Caracas	fair	31	Faro	cloudy	24	Madrid	fair	21	Rangoon	cloudy	31
	Celsius		Belfast	fair	13	Cardiff	fair	14	Frankfurt	shower	12	Majorca	shower	23	Reykjavik	cloudy	10
Abu Dhabi	sun	34	Belgrade	cloudy	14	Casablanca	fair	22	Geneva	fair	12	Malta	cloudy	25	Rio	fair	26
Accra	shower	30	Berlin	shower	11	Chicago	sun	13	Gibraltar	cloudy	25	Manchester	fair	14	Rome	fair	22
Algiers	sun	25	Bermuda	shower	25	Cologne	fair	11	Glasgow	fair	13	Manila	cloudy	32	S. Frsco	fair	23
Amsterdam	cloudy	13	Bogota	drzzl	19	Dakar	fair	33	Hamburg	fair	12	Melbourne	fair	15	Seoul	sun	20
Athens	fair	30	Bombay	cloudy	33	Dallas	fair	32	Helsinki	sleet	9	Mexico City	shower	20	Singapore	shower	30
Atlanta	sun	27	Brussels	fair	13	Delhi	sun	34	Hong Kong	fair	30	Miami	thund	30	Stockholm	fair	9
B. Aires	fair	18	Budapest	cloudy	13	Dubai	sun	34	Honolulu	shower	31	Milan	fair	18	Strasbourg	fair	13
B.ham	fair	14	C.hagen	cloudy	11	Dublin	fair	13	Istanbul	fair	26	Montreal	shower	7	Sydney	sun	21
Bangkok	cloudy	34	Cairo	sun	34	Dubrovnik	shower	15	Jakarta	shower	31	Moscow	shower	9	Tangier	fair	22
Barcelona	fair	23	Cape Town	sun	17	Edinburgh	fair	14	Jersey	fair	13	Munich	fair	12	Tel Aviv	sun	33
									Karachi	sun	36	Nairobi	fair	26	Tokyo	cloudy	25
									Kuwait	sun	38	Naples	fair	24	Toronto	fair	10
									L. Angeles	fair	23	Nassau	thund	31	Vancouver	fair	19
									Las Palmas	fair	25	New York	fair	14	Venice	fair	17
									Lima	cloudy	22	Nice	cloudy	21	Vienna	shower	12
									Lisbon	fair	23	Nicosia	sun	32	Warsaw	fair	12
									London	fair	14	Oslo	fair	8	Washington	sun	15
									Lux.bourg	fair	13	Paris	fair	14	Wellington	fair	15
									Lyon	cloudy	12	Perth	fair	16	Winnipeg	cloudy	18
									Madeira	fair	24	Prague	shower	10	Zurich	cloudy	13

FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday October 5 1994

IN BRIEF

GM reshuffles management

General Motors has announced a shake-up of senior executives in its core North American operations, in a move intended in part to recognise the successes of its Saturn small car division. Mr Richard "Skip" LeFauve, head of Saturn has been given responsibility for all small cars in North America. Page 20

US group may buy Ulster engineer
F.G Wilson, one of Northern Ireland's most successful engineering companies, confirmed yesterday that it might be taken over by a "major American corporation". The Larne-based company which is Europe'a largest producer of diesel sets used for generating electricity. Page 20

Morgan Stanley to advise GPA
Morgan Stanley, the US investment bank, has been awarded the mandate to advise GPA Group, the aircraft leasing company, on further refinancing options ahead of significant debt repayments due in 1996 and 1998. Page 23

Amex poised to cut 4,000 jobs
American Express is setto announce further sweeping job losses in its core plastic cards business in an attempt to bring itself into line with other, more profitable US card companies. The cuts could lead to reductions in the workforce of more than 4,000. Page 21

Watts may move on Germany
Watts Blake Bearne & Co, the world's largest producer of specialist clays, is discussing possibla takeovers in Germany, its largest market. The UK-based company, whicb mines ball and china clays for ceramic manufacturers, already dominates the German market through its subsidiary Fuchs-Ton. Page 25

Nomura buys stake in Slovakian fund
Nomura Securities has bought 26 per cent of VUB Kupon, a large investment fund in Slovakia. The deal, valued at Kcs2.18bn ($61m), is one of the biggest foreign investments in the country to date. Page 21

Japan to open up on currency risks
A change in finance ministry rules means Japanese companies can no longer bury the bad news with regard to unrealised losses or profits from forward contracts to buy or sell foreign currency for yen. Page 22

Courtaulds agrees joint venture in China
Courtaulds Textiles, the clothing and fabrics group, has announced a joint venture with China to produce knitted fabrics. Under the deal, the company will invest $20m over three years in Penn China, a new manufacturing company based in Nanjing. Page 24

BAe confirms VSEL bid talks
British Aerospace has confirmed it is seeking to negotiate a "recommended offer" for VSEL, the submarine maker. BAe's announcement of discussions follows five days of speculation over the deal. But advisers said the company was anxious to ensure there was a firm basis to negotiations before they were made public. Page 26

Companies in this issue

Market Statistics

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Ind Werke	337.5	+	7.5
VEW	338	+	6
Falls			
AEG	143.5	-	4.5
Altana	624	-	12
Asko Prf	675	-	95
Holzmann	885	-	31

NEW YORK ($)			
Rises			
Am Express	30⅞	+	1
Carter Wall	14¼	+	⅛
Falls			
ADM	25⅛	-	1¼
Ford	28⅞	-	⅞
Intel	59	-	1¼
Snapple	12½	-	½

New York prices at 12.30pm.

PARIS (FFr)			
Rises			
Bongrain	3062	+	171
Fonc Lyon	820	+	27
Havas	423	+	17.9
Intertech	640	+	23
Falls			
Erdma 8 Cl	655	-	70
Geophysique	360	-	11

TOKYO (Yen)			
Rises			
Daishowa	780	+	27
Fuji F&M	680	+	25
Shionogi	896	+	32
Falls			
CSK	3400	-	130
Marudai Fd	743	-	38
Nip Shinpan	758	-	55

LONDON (Pence)			
Rises			
Betterware	44	+	8
Coal Inv	131	+	6
Comm Union	494	+	13
Eastern Elec	727	+	20
Herring Baker	34	+	8
Vendome Uts	505	+	11
Warburg (SG)	580	+	11
Wetherspoon(JD)	421	+	12
Falls			
Avon Rubber	570	-	11
BWD Securities	80	-	4
Cannon St Invs	15½	-	11
David Brown	201	-	19
GKN	601	-	12
Gales (Frank G)	64	-	4
Hambros	225	-	26
Lex Service	348	-	12
Lucas Inds	181	-	11
Northmbrian Wtr	631	-	18
Raine	57	-	8
Ranco Energy	207	-	27
Schroders	1285	-	50
Sidlaw	229	-	12
Silentnight	211	-	8
Tie Rack	118	-	8

Bouygues wins French telephone licence

By John Ridding in Paris

Tba French govarnment announced yesterday that a consortium headed by Bouygues, the construction and communications group, had won the fiercely contested licence to operate the country's third mobile telephone network.

Bouygues fought off two other French industrial giants, Alcatel Alsthom, the telecoms and engineering group, and Lyonnaise des Eaux, tha utilities and construction company for the licence.

Bouygues and its consortium partners, which include Cable & Wireless of the UK, US West, Veba of Germany and Jean-Claude Decaux, a Frencb property company, will have the right to exploit a national digital mobile telephone network.

The licence includes a four-year exclusive right to use the DCS 1800 digital system in five of France's biggest cities, including Paris and Lyon.

The new network is expected to involve an investment of up to FFr10bo ($1.8bn) during the next four years. But industry observers said that the growth potential of the French market made the licence attractive.

The French mobile telephone market has beeo slow to develop, with about 730,000 subscribers at the end of August, compared with 2.7m in the UK and 1.8m in Italy. But the two existing operators of mobile telepbone networks, France Télécom and Générale des Eaux, the utilities group, report rapid growth in subscribers since the beginning of the year.

The industry ministry sought to defuse the anticipated reaction from the defeated consortia hy stating that they would be able to consult the recommendations of the post and telecommunications authority. The sensitivity of the award has stemmed from the closed nature of the selection process. The ministry said that it had been hard to separate Bouygues and Alcatel, but that Alcatel had been disadvantaged by a few considerations, including its position as a supplier to the existing operators.

The operation of the licence is conditional on the maintenance of a stable shareholding structure. Any significant changes without agreement from the telecommunications ministry, would result in its being withdrawn.

The industry ministry also said France Télécom and SFR, the telecoms subsidiary of Générale des Eaux, would be allowed to operate DCS-1800 mobile networks in Toulouse and Strasbourg respectively.

Second British merchant bank hurt by downturn in bond market

Hambros warns of profit slide

By Nicholas Denton in London

Hambros, the UK merchant bank, yesterday followed S.G. Warburg in warning of a sharp fall in profits in the six months to September 30 because of a deterioration in securities markets.

The bank forecast that its interim pre-tax profit would halve to £18m-£23m ($28m-$36m) from £41.1m in the first half of the 1993-94 financial year.

Although Hambros said it would maintain its interim dividend at 4.5p, its announcement further drove down share prices in a sector already hit by Warburg's profit warning on Monday. Hambros itself, which fell 11p on Warburg's news, lost another 22p to close at 226p.

Hambros blamed the deterioration in first-half results in part on the downturn in the bond market that has already affected Warburg and several US investment banks.

Sir Chips Keswick, joint deputy cbairman, said be was "deligbted" that the firm had maintained profitability in the bond business in the first half. He said Hambros had experienced lower profit margins in primary bond issues. It had not been able to hedge all its positions in tbe secondary bond market against price movements. "No hedging is perfect", he said.

Sir Chips said Hambros had no immediate plans to lay off employees or to reconsider its involvement in bond markets. "I am certainly not going to rush off and fire people at the wrong end of the cycle", said Sir Chips. "We believe that this is a blip and if it is not a blip we will assess our commitment to bond markets."

Analysts nevertheless lowered their forecasts for the full year, predicting profits would fall by about a third from the £90.5m reported in 1993-94.

Of the £20m estimated drop in interim profits, Hambros attributed about £10m to the bond business and a fall in net interest revenne. Hambros had continued to lend to corporate clients, hut margins had narrowed.

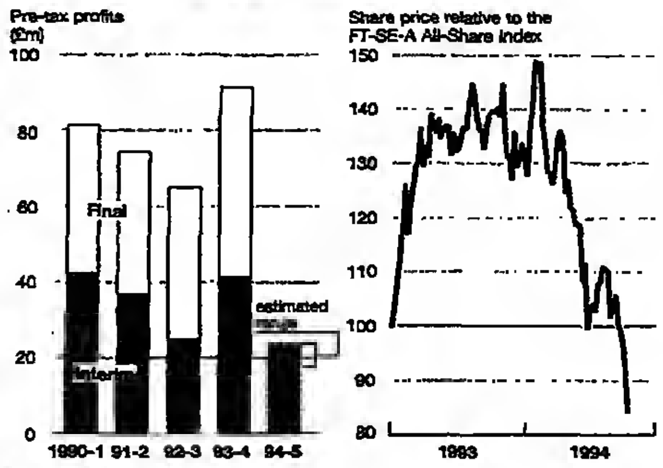
Hambros said provisions were expected to rise by £1.5m to £7.5m, against the trend for commercial banks.

Analysts questioned the merchant hank's control of costs. Increased overheads because of recruitment and investment in new business areas accounted for £2m-£3m of the expected profit fall.

Analysts had expected Hambro Countrywide, the estate agency owned 50 per cent by Hambros, to boost results as tha housing market recovered. But it reported a loss of £700,000 for the six months to June against a profit of £13.3m in the first half of 1993.

Lex, Page 18

Hambros: what went up comes down



Source: FT Graphite/ Hambros

Templeton sees sharp growth in Russian markets

By John Thornhill in Moscow

The size of Russia's capital markets could matcb those of the US within 20 years, one of the world's leading emerging markets specialists predicted yesterday.

In an interview with the Financial Times, Mr Mark Mobius, president of tbe Templeton Emerging Markets Fund, whicb manages $6bn of assets, said: "I would rank Russia very bighly among emerging markets because of its size and its potential. In the next two decades it is quite possible that Russian capital markets could be as big as (those) in the US."

Mr Mobius is the latest in a string of western fund managers to highlight the attraction of Russia's surging equity markets. Many have a clear vested interest in so doing, but Mr Mobius may deserve to be taken more seriously given the performance of the Templeton Fund, which has produced an annualised rate of return on its original capital of 30 per cent since 1987.

The Templeton Fund is opening an office in Moscow and is contemplating launching a Russian country fund of about $300m. "I have got about $1bn sitting in the bank, as 20 per cent to 30 per cent of our money is in cash at the moment," ha said.

Mr Mobius said Russia's vast natural resource base and mass privatisation programme had created an exciting investment climate. The possible appreciation of the rouble provided an additional attraction.

"But the reason I came here was, that this was a country which produced Tchaikovsky and which put people on the moon. These are impressive people," he said.

On a ten year hasis Russia might represent as much as 20 per cent of the Templeton Fund's weighting while Hong Kong and China might represent about 15 per cent, hut be added: "Russia is potentially a much more explosive investment climate."

Mr Mobius conceded there were risks in investing in Russia: companies do not produce reliable andited financial statements; managers have little concept of shareholder accountability; share trading is chaotic; and there is a danger that a future government might renationalise assets. "But in emerging markets we must seek out risk which has an inverse relationship to reward," he said.

Mr Boris Yeltsin, Russia's president, yesterday reaffirmed the government's commitment to creating a more favourable investment climate. "We need to create an organised market for share trading," be said yesterday.

But earlier in the week, Mr Boris Fyodorov, the former finance minister, warned that a "catastrophic situation" was developing in Russia's share markets because of a lack of effective regulation and tbe growing threat of organised crime.

Templeton's Mark Mobius

Peabody adds Wyoming coal assets

By Laurie Morse in Chicago

Peabody Holding, US coal mining subsidiary of the UK industrial conglomerate Hanson, is to buy the assets of Exxon Coal's Carter Mining for $360m in cash. The deal doubles Peabody's holdings in Wyoming's Powder River Basin, which is known for its clean-burning low sulphur coal.

The acquisition is strategically important for Peabody, which in recent years has sought to increase its ownership of clean coal reserves while ensuring cash flow hy purchasing properties long-term coal supply agreements. Long-term sales of more than 255m tons are covered by supply agreements that are included in the transaction.

Hanson said 90 per cent of the 25m tons of coal produced last year at Exxon's Wyoming mines was sold to electric ntilities under contracts ranging from five to 15 years.

Peabody is acquiring Exxon's Rawhide and Caballo mines, which together have 888m tons of economically recoverable reserves, and another 400m tons of unclassified reserves.

Peabody, through its Powder River Coal subsidiary, already owns about 1.2bn tons of Wyoming coal reserves. In addition to the reserves and long-term supply agreements, Peabody is acquiring mines and equipment with a net asset value of $170m.

None of the mines included in the deal is unionised. A prolonged strike by the United Mineworkers hit Peahody's eastern coal operations last year.

The Caballo mine lost $1.1m in the first half of this year, largely because of problems with a new excavator. Peahody plans to abandon the machine and bring in less expensive procedures used at its own mines in the area.

Mr Larry Metzroth, senior economist with Resource Data International, a Colorado-hased coal consulting firm, said Exxon "got a very good price" for the mines.

He said, however, the value of low sulphur Powder River Basin coal would rise when the second phase of the US clean air amendments took effect in 2000, making this an important purchase for Peabody.

Hanson, through Peabody, has been gradually expanding its US coal holdings. In 1990 and 1992, Peabody hought coal properties in Kentucky and West Virginia, and last year swapped some its gold operations for coal reserves owned by Santa Fe Pacific. Hanson last year also expanded its Australian coal holdings.

After the Wyoming sale, Exxon will retain coal mines in Illinois, and in Colombia and Australia.

Barry Riley

A choice between coffee and gold bullion

Securities firms are hearing tbe scars of the weakening hond and stock markats – with the Goldman Sachs chairman retiring with "tiradness" and S.G. Warburg this week shocking the London stock market with a Monday morning profits warning. But tha investment banking community has coma up with a timely alternative: commodities.

Rising commodity prices erode manufacturers' profit margins and help generate the inflation that eats away at the real returns on bonds. It does not take a genius to work out that commodity prices are inversely correlated to hond and stock returns, although hackroom hoffins are nevertheless on hand to work out the precise coefficients.

Tha timing is favourable, hut all the same it is a tricky task to promote commoditias as a respectable asset class that pension fund trustees would want to talk about in polite company. Perhaps that is why firms such as Goldman and J.P. Morgan are recommending only a cautious pension fund weighting of 5 per cent or so in commodities, although the logic of the optimisation calculations might suggest a considerably higher exposure.

J.P. Morgan is the newcomer here, having just launched its own commodities indax – the JPMCI – which is designed to act as a portfolio benchmark. It therefore rivals the already established Goldman Sachs version – the GSCI – which is the benchmark for tha first index-tracking commodities fund, currently being launched by Barclays de Zoete Wedd as an offshore closed-end vehicle.

There is an attempt here to shift commodities investment away from the traditional emphasis upon short-term price speculation and fit it within a long-term investment framework. A total return concept has been developed in which three kinds of return are generated.

The price return is derived from the familiar risky exposure to the volatility of commodity values (moderated hy diversification). The roll return comes from holding long positions and repeatedly rolling them over. Finally there is the collateral return, usually taken as the yield on an investment in US Treasury bills (the BZW fund will hold alternative short-term deht instruments to earn slightly more).

It is a tricky task to promote commodities as an asset class that pension fund trustees would talk about in polite company

Commodity markets still have some way to go to achieve complete respectability. Cowboys still abound in the shadowy world of spaculative offshore futures funds, where charges sometimes run to 2 per cent a month, with a share of profits as well. Charges on the BZW fund, it should be said, are 1.25 per cent a year.

The key feature here is benchmarking, which is familiar to institutional investors and allows a comparison with the returns earned on othar asset classes. However, commodity indices remain a potentially dangerous area for the unwary.

Whereas the Economist index has risen by more than 30 per cent this year, and hit a high on Septamber 20, tbe widely-followed Commodities Research Bureau index is barely higher than on January 1, having peaked on June 17. These are price returns only. The JPMCI shows a total return of 23.5 per cent so far this year.

It all depends on what you put into your commodity basket and bow you construct the index. The CRB Index is equally weighted. The GSCI, bowever, is designed on the basis of economic weightings according to the value of world prodnction – energy accounts for just over 50 per cent, "soft" agricultural commodities about 40 per cent, base metals 6 per cent and precious metals only about 3 per cent.

As for the JPMCI, it is designed to have particularly high negative correlations with bond and stock returns. It has a precious metals content of 23 per cent and no "softs". So the JPMCI has ignored the coffee price hoom and the GSCI would scarcely register a hull market in gold.

As ever, therefore, exposure to commodities is something of a hot potato. Undonhtedly there are speculative opportunities in commodities in the later stages of a global economic upturn. The timing is right. But for long-term investment institutions to get involved on a more permanent basis, they must have a very powerful need to reduce the volatility of their returns.

And they will have to be careful about benchmarks: there is scarcely any gold in Goldman.

Disposals help Suez to advance 54% at halfway

By Andrew Jack in Paris

Suez, the French financial services and investment group, yesterday announced profits of FFr795m ($149.7m) for the first half of 1994, up 54 per cent on the same period last year.

The result included an exceptional gain of FFr317m, compared with FFr381m last time, which the group said also took into account losses realised on the disposal of Groupe Victoire, the insurance company sold to Commercial Union of the UK earlier this year.

These losses – as well as other provisions – were offset by various exceptional gains, including the sale of its shares in Compagnie Foncière Internationale to Unibail earlier this year.

Operating profits more than doubled, to FFr478m compared with FFr135m in the first half last year, and full-year 1993 operating losses of FFr1.3bn.

The company said the rise reflected the solid performance of subsidiaries against a background of difficult markets and banking conditions and heavy property provisions.

It said that after four years of disinvestment to deal with the property crisis and to improve margins, Suez now had the means to develop its investments.

There were no significant accounting changes, such as those last year which triggered an additional FFr276m gain for the 1993 full-year results.

Huhtamaki lowers forecast

By Christopher Brown-Humes in Stockholm

Huhtamaki, the Finnish consumer products group, has lowered its full-year forecast after reporting static profits and lower earnings per share in the first eight months.

The sales prognosis has been cut by FM500m to FM8.5bn ($1.8bn) and earnings per share are expected to be lower than last year's FM13.59, not higher. Pre-tax profits will be flat at around FM506m.

The company blamed a 15 per cent rise in the Finnish markka against the US dollar for the adjustment, and said a strike in North America's major league baseball may hit collectable card launches towards the year-end.

In the first eight months, profits edged up to FM309m from FM307m after acquisitions helped lift sales by 12 per cent to FM5.6bn.

The result was struck after a FM4m increase in operating profit, to FM409m, was partially offset by higher financial costs of FM100m, up FM2m. Earnings per share fell 12 per cent to FM8.46 from FM9.58 due to a higher number of shares in issue.

Mr Timo Peltola, chief executive, was cautiously optimistic about prospects, saying "a turnaround in our key markets is evident at long last".

He said the trend in the second four months had been better than in the first period, thanks to an improved North American performance by Leaf, the world's 10th largest confectionery group, and satisfactory results from the Leiras pharmaceuticals business.

Margins in the Polarcup food packaging division have been squeezed by rapid rises in raw material prices.

Tiphook family trust sells shares worth £143,351

Speculation over the financial health of Tiphook founder Mr Robert Montague was heightened yesterday, after his family trust sold 434,398 shares in the recently-renamed Central Transport Rental Group, raising £143,351 ($225,061), writes Simon Davies in London.

The shares were sold on Monday, the day on which the Royal Bank of Scotland had planned to serve a bankruptcy petition on the CTRG chief executive.

It is understood the petition will be served later this week, when Mr Montague returns from the US. The Royal Bank is chasing up a £2.3m loan, but Mr Montague has around £30m of personal debts.

Lagardère plans to sell 26% SAT stake

By John Ridding in Paris

Lagardère Group, the diversified French defence and electronics group, yesterday announced that it planned to sell its 26 per cent stake in SAT, the telecoms equipment and electronics company.

According to Lagardère, the sale of the stake, which is valued at about FFr1bn ($188m), will bring a capital gain of FFr500m. The company said the proceeds supported its prediction of a strong increase in profits this year.

Earlier this year, Lagardère said it would report a double-digit percentage increase in net profits compared with about FFr500m in 1993. The comparison is complicated by the changed accounting structure following Lagardère's increased holding in its Matra-Hachette subsidiary earlier this year.

A spokesman for Lagardère said that the sale of its stake in SAT had been agreed with Sagem, which controls the majority of SAT's shares. It said the sale would take place soon, depending on stock market conditions, and that it would comprise a public offer and an institutional placing, to be managed by Banque Nationale de Paris.

Lagardère described the sale as being in line with its strategy of disposing of non-core assets.

Wilson in talks over sale to US buyer

By Andrew Baxter in London

A US company may be about to buy F.G. Wilson (Engineering), the Larne-based company which is Europe's largest producer of diesel sets used for generating electricity.

Privately-held Wilson, one of Northern Ireland's most successful engineering companies, confirmed yesterday that its directors were in talks with a "major American corporation" which had approached it.

F.G. Wilson would not name the company and said talks were at a preliminary stage. It expected to make a further statement by today.

Last night, there was strong speculation that Emerson Electric, the US electrical and electronics product group, would launch a bid for Wilson. A spokesman for Emerson said he had no information on any bid.

If Wilson were taken over, it would be the second purchase this week of an independent UK producer of generating sets. Cummins Engine, the US diesel engine group, is buying Sandwich, Kent-based Power Group International, which is best known for its Petbow, Anto Diesel and Agreba brands.

A substantial investment in Wilson would be a coup for a company wishing to enter the fast-growing market for diesel generating sets. The Larne company was founded in 1966, and has grown to achieve annual sales of more than £160m ($252.80m) and export markets in 120 countries.

It employs about 1,000 people, most of them at Larne. It recently moved into a former GEC factory there, consolidating manufacturing which took place at five separate facilities.

A link-up with a company such as Emerson, one of the best-known names in the world electrical products industry, could give Wilson access to a wider distribution network.

Other names mentioned as possible bidders included Caterpillar, the world's largest construction equipment company, which also has a power generation business.

GM shakes up senior management

By Richard Waters in New York

General Motors has announced a shake-up of senior executives in its core North American operations, in a move intended in part to recognise the successes of its Saturn small car division.

The reshuffle brings two executives to the fore: Mr Richard "Skip" LeFauve, head of Saturn, who has been given responsibility for all small cars in North America; and Mr Donald Hackworth, who will run the medium-sized and luxury car businesses.

Mr Richard Wagoner, who became president of GM's North American operations this summer, said there were "a lot of good ideas in Saturn that need to spread across the company", though he added that "the flow will not be one-way".

Saturn accounts for some 300,000 of the 3m cars that GM produces in North America each year, compared with the 1m vehicles produced by its other small cars division, the Lansing Automotive Division.

The company said its North American car operations would continue to be run as four separate divisions, and that it was not making any changes to its product lines. Mr Wagoner said no specific cost savings were projected as result of the shake-up.

The move comes as production at the US's biggest automotive group continues to pick up after a strike at a parts plant in Michigan, which brought several production lines to a halt last week.

The strike ended when GM agreed to demands from the United Auto Workers union to hire more staff at the plant to reduce the overtime load on the existing 11,000 workers.

Mr Wagoner said yesterday that settlement of the dispute did not mean GM would give in to demands for extra staff at other sites. The company looked at staffing levels plant by plant, and had settled other similar issues without adding to staff levels, he said.

Mr Wagoner characterised the latest strike as a symptom of expanding demand in the US, which had caused "bottlenecks" at various points in the production and distribution chain.

"Clearly, we are hitting some rough spots," he said. The question for the GM's management, he added, was: "How do you manage the upside, while leaving the company prepared for any future downturn?"

Strong sales lift European operations

General Motors' Opel/Vauxhall operations in Europe lifted net profits in the first six months of 1994 to $603m from $520m in the same period last year.

The half-year figures have already exceeded profits for the whole of 1993, when the company was burdened by heavy restructuring costs, in particular in Germany in the second half of the year.

The group also announced that Mr Richard Donnelly had been appointed president of General Motors Europe, as part of a reorganisation of the top management of GM's automotive operations.

He will succeed Mr Louis Hughes as head of the Opel/Vauxhall and Saab car and light commercial vehicle activities. Mr Hughes previously combined this role with his presidency of all GM's vehicle business outside North America. Mr Donnelly is head of GM's Powertrain (engines and transmissions) operations in North America and a member of the GM North American operations strategy board.

On the results, Mr Hughes said Opel/Vauxhall was the

Kevin Done reports from the Paris World Auto Show

most profitable volume carmaker in Europe for the fifth year in succession.

Net profits were halved last year, to $598m from $1.12bn in 1992, under the impact of a steep decline in west European new car sales.

Mr Hughes said Opel, GM's German subsidiary, had returned to "solid profitability" in the first half after falling into loss in 1993, and would achieve a substantial turnround in the full year.

The Opel/Vauxhall brand (Opel in continental Europe and Vauxhall in the UK) was the top-selling single marque in Europe in the first nine months, with sales of 1.15m and a 12.5 per cent share of the west European new car market.

Mr Hughes said Opel had recently added a third shift for the production of its Omega executive car at its plant in Russelsheim, near Frankfurt.

The move was spurred by strong demand.

GM Europe is entering a new market segment this autumn with the launch of a small coupé, the Opel/Vauxhall Tigra developed from its Corsa small car, with planned sales of 50,000 in Europe in 1995.

Mr Hughes forecast that overall new car sales in west Europe would increase this year by around 5 per cent to 11.8m. However, he admitted that a large part of the recovery was stemming from government actions in France and Spain to stimulate sales through financial incentives for scrapping of old cars.

Sales next year are forecast to recover further to 12.3m, but Mr Hughes warned they would not return to the record level of 13.45m in 1989-1991 until the "latter part of this decade".

Ford to launch its smallest car

Ford, the US carmaker, is to expand its range by entering a new segment of the European car market with the launch of a new car smaller than the Fiesta, its smallest car.

Mr Alex Trotman, Ford chairman and chief executive, said that the new small car would be launched within the next three years in Europe.

The company said that no decision had yet been made on a production location, but it is understood that the plant at Valencia, Spain, is front runner. Production volumes are likely to exceed 100,000 a year.

Peugeot Citroën in cost-cut drive

Peugeot Citroën, the French carmaker, is seeking to cut costs substantially in order to increase its international competitiveness, Mr Jacques Calvet, chairman, said yesterday.

The target was to reduce purchasing costs by 15 per cent and investment costs by 30 per cent during the next three years.

The Peugeot group staged a strong recovery in the first half this year, with a pre-tax profit of FFr1.02bn ($192m) compared with a loss of FFr1.85bn in the same period a year ago.

The group is aiming to improve productivity in its plants by more than 12 per cent this year, having achieved a similar increase in both 1992 and 1993.

The target of cutting investment costs by 30 per cent in the next three years while maintaining the same overall level of spending would allow the group to accelerate its product development programme.

Mr Calvet said Peugeot was also seeking to reduce significantly the time taken to develop new vehicles. New projects started in the next two years would cut development times from 44 to 36 months, while the costs of producing prototype vehicles would be cut by 10 per cent a year.

The carmaker, which is largely dependent on the European market, is also determined to increase its presence in overseas markets.

Mr Calvet said the group's target was to generate 25 per cent of its sales outside Europe by the year 2000, compared with only 14 per cent last year.

It sold 75,000 vehicles in South America last year, was advancing in China and had good prospects in Malaysia and India.

Mr Calvet ruled out any suggestion of a merger with Renault.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 05.10.94: Pool purchase price £/MWh	Final Prices for Trading on 07.09.94: Pool purchase price £/MWh	Pool selling price £/MWh
0030	10.20	9.95	9.95
0100	10.10	9.94	9.94
0130	10.20	9.94	9.94
0200	8.36	9.94	9.94
0230	8.96	9.94	9.94
0300	8.96	9.94	9.94
0330	8.96	9.94	9.94
0400	10.20	9.94	9.94
0430	10.20	9.94	9.94
0500	10.20	9.94	9.94
0530	13.48	9.59	9.59
0600	13.48	9.94	9.94
0630	16.47	9.95	9.95
0700	22.35	13.21	16.81
0730	17.07	16.53	20.22
0800	25.02	16.48	20.18
0830	33.58	16.50	20.22
0900	33.71	17.01	20.73
0930	24.46	17.06	20.61
1000	25.07	16.72	20.49
1030	24.78	17.10	20.93
1100	23.69	17.18	20.87
1130	23.71	17.28	21.10
1200	23.77	17.34	21.17
1230	23.51	34.95	38.77
1300	23.10	17.18	20.94
1330	20.89	17.04	20.78
1400	20.55	16.99	20.71
1430	20.49	16.98	20.70
1500	20.48	16.98	20.70
1530	20.53	17.00	20.73
1600	20.72	16.69	20.45
1630	21.18	31.94	35.74
1700	29.20	32.00	36.82
1730	29.01	31.91	35.69
1800	28.62	31.76	35.49
1830	11.75	16.83	20.63
1900	41.09	16.46	20.18
1930	41.40	13.61	13.61
2000	40.79	16.47	20.17
2030	34.84	25.62	29.32
2100	18.04	25.62	29.31
2130	16.80	24.64	28.33
2200	16.57	16.46	20.15
2230	16.57	16.42	20.11
2300	16.40	16.30	20.00
2330	16.25	16.30	20.00
2400	10.40	13.54	17.24

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.86/MWh becomes 1.686p/kWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreement which governs the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to correction or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456789 between 8.30am and 5.15pm Monday to Friday.
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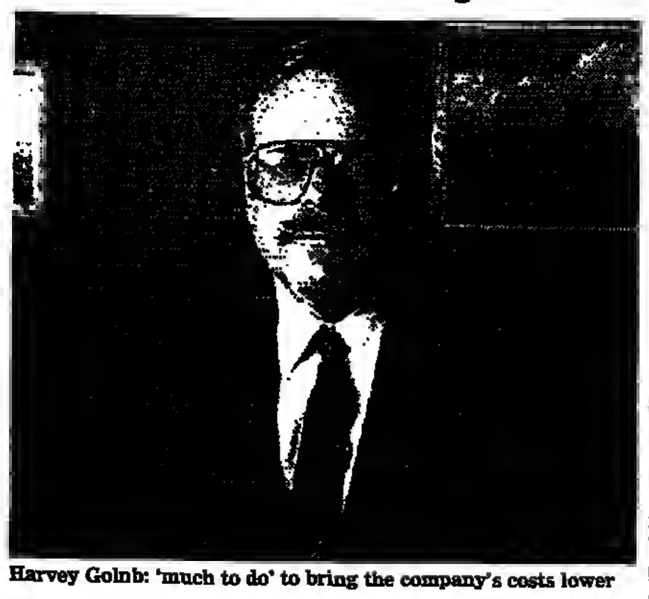
American Express plans to cut another 4,000 jobs

By Richard Waters in New York



Harvey Golnb: 'much to do' to bring the company's costs lower

American Express is poised to announce further sweeping job losses in its core plastic cards business in an attempt to bring itself more into line with other, more profitable US card companies.

The cuts, which could lead to reductions in the workforce of more than 4,000, will come largely in the US, although the company is also expected to continua the reorganisation that has been in progress in its European business since earlier this year. Under this, it has been centring all activities in London, other than those which have direct contact with customers.

"We have been for some time looking at our operating costs," American Express said yesterday, adding: "We have not completed those analyses yet, and have made no decisions."

However, one source with knowledge of the changes said that they were likely to he announced as early as this week, adding American Express needs "fewer facilities, and functions that work across the organisation".

The changes in part stem from the group's move to expand its range of cards, adding a series of revolving credit products to its basic charge card. Rather than develop separate processing and other systems to handle the new prodnets, it has decided to redesign its entire operating base to handle all card products on a single system.

This bas created the need to pusb through a hroader-ranging restructuring of its US operations.

Under Mr Harvey Golub, chairman and chief executive since early last year, American Express has already been through one wave of cost-cutting. In an interview earlier this year, tbough, Mr Goluh said that the company, while switching its focus to growing its revenues, also "had much more to do" to bring its costs lower.

American Express's shares rose $1¼ in New York on reports of the cost-cutting, to $31¼.

Motorola to lift computer presence

By Louise Kehoe in San Francisco

Motorola, the US electronics and communications manufacturer, has annomced a significant initiative to enter the peraonal compnter, computer workstation and compnter server markets.

Based on the PowerPC microprocessor chip, jointly developed with IBM and Apple Computer, the new Motorola compnter products will include desktop workstations, personal computers and servers.

Crédit Lyonnais share rise prompts probe

By Andrew Jack in Paris

Crédit Lyonnais, the troubled French hanking group, became embroiled with regulators yesterday as they examined whether new financial information had heen released exclusively to a small group of analysts.

The probe followed a sharp jump in the price of Crédit Lyonnais's shares on Monday after an analysts' meeting on Friday evening, at which the bank had appeared to emphasis that the French government would continue to underwrite past losses.

The Commission des Opérations de Bourse (COB), the markets regulatory body, stressed yesterday it had not launched a formal investigation but confirmed it had asked for clarification of precisely what the bank had told the meeting.

It is against COB rules to provide any information to a small group without providing a puhlic statement to ensure that all investors have equal access to it.

Mr Jean Peyrelevade, who was appointed chairman of Crédit Lyonnais hy the government last year after its troubles emerged, told the analysts that all bad debts inherited from past management would have no impact on the bank's accounts from the start of next year.

The clear suhtext was that the French state would underwrite whatever provisions were necessary to keep the bank solvent – with estimates that up to a further FFr15bn ($2.84bn) may yet be required on top of the FFr10.1bn announced last week.

However, Crédit Lyonnais maintained that it had sent the same message to all investors at a press conference to announce its results on Tuesday last week, when Mr Peyrelevade said that current activities would be protected against potential losses due to had risks in the past.

Meanwhile, the ministry of finance and economy reiterated last night that there was no "blank cheque" for Crédit Lyonnais and that it could not guarantee support until it had full knowledge of the exact size of provisions necessary.

Analysts were sticking to their position yesterday.

"Either all analysts are stupid, or Mr Peyrelevade said he had the hacking of the state," said one yesterday. "The market is still convinced of this support, so I think analysts are not completely stupid."

The bank is in the middle of a public relations offensive following publication last week of half-year losses of FFr4.5bn.

Nomura Securities pays Kcs2bn for 26% stake in Slovak fund

By Vincent Boland in Bratislava

Nomura Securities has taken a substantial minority stake in VUB Kupon, a large investment fund in Slovakia, in one of the biggest foreign investments in the country to date.

VUB Invest, a unit of Vseobecma Uberova Banka which manages the fund, said Nomura had bought just over 2.9m shares in VUB Kupon from the bank for Kcs750 each, valuing the transaction at Kcs2.18bn ($61m) and giving it a 26 per cent stake in the fund.

Nomura declined to comment on the deal.

The Japanese firm bought its staka from VUB, Slovakia's biggest commercial bank, after the National Bank of Slovakia ordered it to reduce its holding from 30 per cent. Under new hanking rules, a Slovak bank cannot own more than 10 per cent of an investment fund. After the sale the bank owns 4 per cent of VUB Kupon. Some 300,000 private and institutional Slovak investors own the majority of its shares.

VUB Kupon was set up during the first wave of voucher privatisation – which allowed Slovaks to invest in companies being sold off – in the former Czechoslovakia and is the biggest fund in independent Slovakia, with a portfolio valued at almost Kcs5bn.

Its shares are traded on the Bratislava stock exchange and are priced at Kcs500. The fund's net asset value is Kcs1,460.

The fund has substantial stakes in many of Slovakia's industrial companies which were partly privatised through the voucher system. Many private investors sold their vouchers to funds such as VUB Kupon, which then used them to invest in state assets being sold by the government.

Nomura is an adviser to the National Bank of Slovakia and arranged a $250m samurai bond issue for the bank in July in its first foray into international capital markets. Japan's Bond Research has given the bank a BBB rating.

Mr Ladislav Vaskovic, general director of VUB Invest, said he expected some changes in the content of VUB Kupon's portfolio as a result of the Nomura investment.

Asarco joins Coeur in silver mines venture

Asarco, the US mines group, and Coeur d'Alene Mines, the second-largest US silver producer, are forming a new company, Silver Resources, Renter reports from New York.

The new venture will consist of the fully developed Coeur and Galena silver mines near Wallace, Idaho, as well as the adjoining Caladay, an advanced silver exploration property.

Asarco and Coeur will each hold a 50 per cent interest in Silver Resources.

The Coeur and Galena mines have been on standby and have not been operating during the past three years because of low silver prices. Historically, the two mines have produced more than 160m total ounces of silver.

Asarco has been managing the Galena and Coeur properties under a lease agreement with Coeur d'Alene.

In forming the new company, both Asarco and Coeur will contribute their interests in the Galena and the Coeur mines, as well as other assets, including Coeur's Caladay mine and waive certain cash flow entitlements at tbe Galena Mine.

Asarco is contrihuting the leases it bolds in the two mines as well as buildings and adjacent properties.

Coeur d'Alene Mines will contribute ownership and lease interests in the two mines as well as the Caladay and other adjacent properties.

Baxter sells diagnostic side to Bain Capital

By Richard Waters

Baxter International, the Illinois-based bospital supplies group which plunged into losses last year after a $925m restructuring, has agreed to the sale of its diagnostics business for $448m.

The business had been put up for sale in November last year as part of a move hy Baxter to reduce borrowings and concentrate its investment in biotechnology and renal therapy, and to develop its non-US operations.

The company said it had reached agreement to sell the husiness to Bain Capital, a Boston-based huy-out firm.

Some $40m of the consideration will be in the form of preferred stock, with the remainder in cash and accounts receivable retained by Baxter.

Baxter said the sale would further reduce its debt levels, and its ratio of deht to total capital would he "in the low 40 per cent range" by the end of this year, compared with 50 per cent at the end of 1993.

The company's shares have recovered almost $8 from the trougb they hit a year ago, when Baxter was rocked hy a temporary US government ban on accepting bids from the company, and an admission that it had hroken US law by co-operating with an Arab boycott of Israel.

KNP BT's plan to merge with Ivan Allen collapses

By Ronald van de Krol in Amsterdam

KNP BT, the Dutch paper, packaging and office products group, said its US office products division had failed to reach agreement on a planned merger with Ivan Allen, an office products distrihutor based in Atlanta, Georgia.

The Dutch company declined to say why the proposed merger, first announced by its US division in late August, had not gone ahead.

KNP BT had hoped tha link would give it wide access to customers in the south-eastern US, where Ivan Allen is the largest local distributor.

A spokesman for KNP BT said it would reconsider its options in the states of Georgia, Alabama, Tennessee and North and South Carolina.

KNP BT, which is keen to create e national distribution network in the US, has made a string of distribution acquisitions in California, Texas, Oregon, Florida and Missouri so far this year.

Broader disclosure urged in US

By Our New York staff

US companies should give their shareholders more detailed information about the performance of different parts of their business, according to a committee set up hy the American Institute of Certified Public Accountants.

The accountants also want companies to include only the results of their continuing, cora operations in their reported net profiis, and to identify exceptional or one-off items separately.

The recommendations are included in a study of financial reporting undertaken hy the AICPA during the past three years and puhlished recently.

It calls for financial statements to include more information about a company's plans and prospects, as well as touching on several specific accounting issues.

The call for more detailed segmental information reflects concern from investors about the quality of information available. "Users [of financial reports] tell us it is ineffectual," said Mr Robert Israeloff, a member of the committee, who ie due to take ovar as chairman of the AICPA this month.

In the past, companies have always succeeded in fighting off greater segmental disclosure by arguing that it would reveal commercially sensitive information and therefore be against the interests of their shareholders.

The AICPA has no power to change accounting rules. However, Mr Israeloff said the body would urge tha Financial Accounting Standards Board and the Securities and Exchange Commission to adopt the recommendations.

Improving Business Reporting, Product No 019305, AICPA Order Dept, PO Box 2209, Jersey City, NJ 07303-2209.

M&A shows revival signs in Japan, say brokers

By Emiko Terazono in Tokyo

Mergers and acqnisitions by Japanese companies, which have been declining since the bursting of the "bubble economy" of the late 1980s and early 1990s, are showing signs of revival.

Reports by two leading Japanese brokers reveal that Japanese companies havs returned to mergers and acquisitions as a means of restructuring their operations.

According to Daiwa Securities, there were 373 M&A deals in the first nine months of this year, up 26 per cent on the same stage of 1993.

However, unlike purcbases during tbe economic boom, recent transactions reflect efforts to counter increasing competition and to cut costs. In contrast to transactions during the late 1980s, the average size of deals has fallen sharply.

Yamaichi Securities said the average transaction size has dropped 46 per cent, from Y3.51bn in 1991 to Y1.9bn ($19m) so far this year.

Daiwa said M&A deals were particularly prominent in the petrochemical and retail industries.

Japan's petrochemical industry has been hit by low domestic demand and the appreciation of the yen, and companies are turning to mergers in order to survive.

The discount boom and the rise of private brands in the retail industry bas prompted large supermarkets to cut out the wholesaler in order to maintain profit margins, forcing consolidation among wholesalers. Increasing competition among convenience stores has also prompted an increase in M&A activity.

Acquisitions of US businesses by Japanese companies rose 45 per cent to 64 deals during the nine months to September. Electronics, telecommunications and pharmaceutical groups are investing in US venture companies to acquire advanced expertise. Daiwa also noted a rise in purchases of plants in order to secure manufacturing bases in North America.

Yamaichi said acquisitions of Asian companies by Japanese businesses doubled from a year earlier, to 18 deals, although investment in Europe slowed slightly from 24 to 23 deals.

Purchases of Japanese businesses by foreign companies rose by 9 to 30, Yamaichi said. Japanese companies looking to restructure tbeir operations have turned to overseas corporations looking to expand in Japan, while the country's deregulation efforts bave started to attract foreign companies.

Accountants face lawsuit over Carrian

By Jim Kelly

Price Waterbouse Hong Kong is being sned for HK$2bn (US$259m) by liquidators of Carrian Investment, the conglomerate placed in liquidation in October 1983 with debts of HK$10bn.

The collapss of Carrian, a property and shipping gronp that under the chairmanship of Mr George Tan grew to become one of Hong Kong's most prominent companies, was the subject of a HK$100m investigation by the Hong Kong government.

A High Court case, brought by liquidators Ernst & Young Hong Kong, opened in the colony this week and is expected to continne for np to nine months. The accountants are accused of professional negligence in failing to expose fraud within the group.

Specifically, they face accusations that they were negligent in five assignments for Carrian – three times as auditor and twice as reporting accountant between 1980 and 1982. Price Waterbouse HK said it would be mounting a "robust and vigorous defence".

After the 1983 collapse, Price Waterhouse accountants Mr David Begg and Mr Anthony Lo faced charges of conspiring to defraud by making false and misleading statements. They were acqnitted in 1984.

Honda to make Dominator in Italy

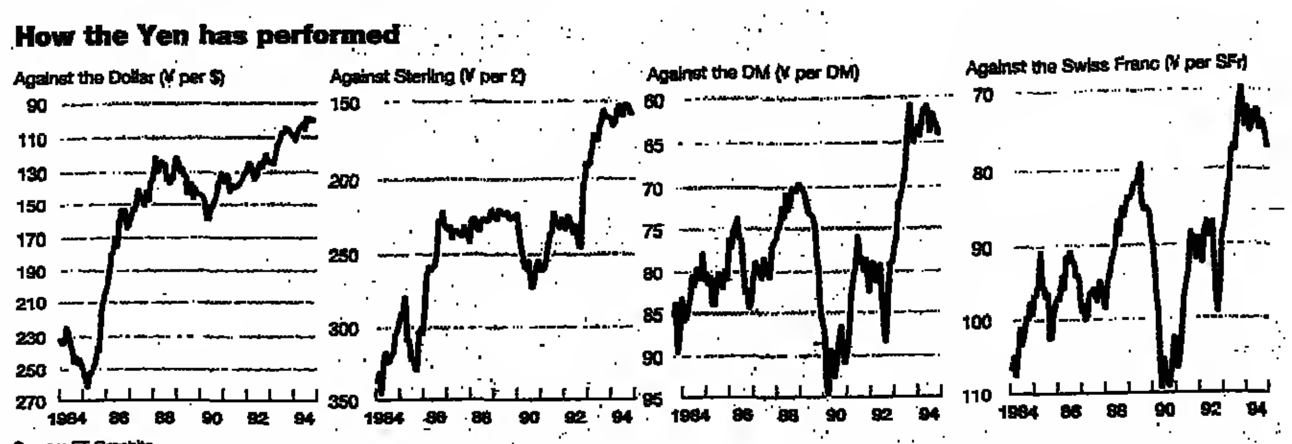
Honda Motor is to manufacture its NX 650 Dominator motorcycle at its Italian plant, shifting production of the model from its Japanese operation, AP-DJ reports from Tokyo.

The car and motorcycle manufacturer said production would start before the year end at Honda Italla's Atessa plant at an lnitial rate of 6,000 units a year.

Honda is shipping production equipment for the motorcycle from its Japanese plant to Atessa, making investment for the output start-up minimal.

The NX 650 Dominator, sold exclusively in Europe, is currently exported from Japan. Honda will continue to export engines from its Japanese plant, bnt all other parts will eventually be acquired from sources in Europe.

The company said the shift of production to Italy would help reduce manufacturing and marketing costs, which have been affected by the strength of tbe yen since last year.



Source: FT Graphite

Tokyo to lift veil on currency risks

Unrealised losses will have to be revealed, writes William Dawkins

Corporate Japan will over the next month or so be obliged to lift the veil on a poorly kept yet tantalising secret.

A change in finance ministry rules will for the first time oblige companies listed on the stock exchange or over-the-counter market to divulge unrealised losses or profits from forward contracts to buy or sell foreign currency for yen.

The new rules will start to have an impact from the end of this month, when listed companies publish interim financial statements, their first since the rule took effect on April 1.

It is anothsr small step towards making Japanese financial markets easier to understand and brings reporting standards more in line with ths US and the UK, reckons Kleinwort Benson, the UK merchant bank.

Previously, companies which had misjndged forward currency contracts could bury unrealised foreign exchange losses as depreciation charges or other operating costs in their profit and loss accounts.

It was only once the loss had become uncomfortably large, or had to be realised in cash, that snch companies were forced to publish the bad news. The new disclosure rule makes no difference to reported profits; it just tells investors about Japanese companies' foreign exchange risks.

A taste of what might be to come emerged on Monday, when Japan Airlines' sbare price dipped on reports, unconfirmed by the company, that it was sitting on an unrealised currency loss of Y45bn ($451m). JAL officials did, however, confirm that the company signed a contract 10 years ago to buy $3.6bn with yen, in chunks at a series of pre-agreed exchange rates.

This means JAL has, on this contract, missed tbe bargain presented by the US currency's subsequent fall in value against the yen. It will now have to pay more yan, at expensive old exchange rates, to buy dollars than if it bought the US currency at today's rates.

Investors were quick to realise that this made little difference to the airline's financial health, since JAL has heen swallowing large undisclosed foreign exchange losses for years, and the shares made up the lost ground yesterday, rising Y11 to Y746. Details of the unrealisad loss will be explained in JAL's intsrim report on October 28.

All this invites the question of how many other corporate treasurers have embarrassing news to relate.

The indications are not many. Government officials estimate that total unrealised losses could amount to Y1,000bn, equivalent to about one-tenth of listed manufacturing companies' Y10,200bn combined pre-tax profits last year.

The sectors most likely to bave to divulge exchange rate slip-ups are those that need dollars, or other foreign currency, to huy assets or materials: oil rsfiners, petrochemical groups, general trading companies and airlines, for example.

Previous foreign exchange shockers are the best guide. Tbey include Showa Shell, a conservatively run oil refiner which announced a Y165bn unrealised foreign exchange loss in February last year. Then there is Nippon Steel Chemical, a petrochemicals group, whose head of accounting threw himself under a train last autumn after losing nearly Y14bn in forward currency contracts, and Kashima Oil, another refiner, with a Y152.2bn forward loss last April.

"Many will be losses deriving from a perfectly legitimate use of foreign exchange, even if it went spectacularly wrong," says Mr Tom Hill, equity strategist at S.G. Warburg Securities in Tokyo.

JAL, for example, needs to calculate in advance the rough cost of funding its $800m annual aircraft purchasing requirement. Most of its revenues are in yen, so it needs to buy dollars. A forward contract allows JAL to cboose a fixed currency rate over a multi-year aircraft buying programme. If it misjndges and pays too much for dollars, JAL can smooth out the loss by writing it down over the 15-year depreciation period used for international aircraft.

For that reason, JAL's potential currency loss is no surprise to those who follow the company closely.

However, there are likely to be red faces in other Japanese corporate treasuries when the mid-term results season gets under way.

INTERNATIONAL CAPITAL MARKETS

World Bank launches DM2bn five-year global

By Martin Brice and Graham Bowley

The World Bank launched its long-awaited DM2bn global offering of five-year eurobonds yesterday.

The issue, offered with a spread of 15 basis points over German government bonds, will be priced today, lead managers Deutsche Bank and Morgan Stanley said.

The offering, the World Bank's second global D-Mark issue, was generally well received, syndicate managers said. The deal follows the bank's $1.5bn global issue last month. Its first D-Mark global offering, of 10-year bonds, was launched in October 1993.

The joint lead managers reported particularly strong demand from the US. Demand from German investors was reasonably strong, given current volatile market conditions, they said.

They estimate that the bonds will be sold mainly to institutional investors, with 60 per cent going into Europe, 20 per cent into North America, and 20 per cent into Asia.

"With the old 10-year global bond trading quite actively, the five-year maturity enables the World Bank to establish a new benchmark," said a syndicate official at Deutsche Bank in Frankfurt.

INTERNATIONAL BONDS

In the Australian dollar sector, Bank Austria braved the volatile 10-year maturity with an A$100m offering, guaranteed by the City of Vienna and priced to yield 35 basis points over the benchmark bond in Australian dollars, the September 2004 Commonwealth bond.

Lead manager BZW said the deal met very good demand from institutional investors in Europe and the Far East who were attracted by the high coupon.

Two deals were brought in the French franc sector. Horus, a Cayman Islands special purpose vehicle which holds bonds issued by the OECD, launched a FFr1bn 10-year deal guaranteed by Ambac, the US insurance group.

Lead manager Société Générale said the deal had met strong demand from institutions in Europe, which were attracted by the guarantee and the spread of 28 basis points over comparable French treasury bonds. SocGen said the spread did not change after the bonds were freed to trade.

Commerzbank Overseas France launched a FFr2bn five-year deal late in the day, which lead manager Crédit Commercial de France said was aimed at the Swiss and Benelux retail market. The proceeds were swapped into floating-rate D-Marks.

Banque Nationale de Paris, the privatised French bank, tapped the two-year sector for L150bn, offering a coupon of 11¼ per cent. Mr Niccolo Nuti, head of capital markets at Credito Italiano, the book-runner, said investors were attracted by the high-quality name and the coupon, which was higher than the L150bn Bayerische Hypobank deal brought last week.

Municipal Finance Authority of British Columbia launched a 10-year, C$46m deal with an 8½ per cent coupon. Lead manager RBC Dominion Securities said C$1.5bn of bonds are due to be redeemed this month in the Canadian market.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
DCMT I 94/2, Class A(a1)♦‡	850	(a2)	100.00	Oct.2004	0.40	-	Dean Witter Reynolds
DCMT I 94/2, Class B(a3)♦	44.737	6.05	99.596	Oct.2004	0.45	+70(7¼%-02)	Dean Witter Reynolds
D-MARKS							
World Bank	2bn	(b)	(b)R	Oct.1999	0.25R	+15(6¼%-99)	Deutsche/ Morgan Stanley
FRENCH FRANCS							
Commerzbank O'seas Finance	2bn	7.875	98.78R	Nov.1999	0.30R	+22(8½%-99)	CCF
Horus(s)	1bn	8.25	98.58	May.2004	undiscl.	+28(7¾%-04)	Société Générale
ITALIAN LIRE							
Banque Nationale de Paris	150bn	11.125	101.125	Nov.1996	1.125	-	Credito Italiano
AUSTRALIAN DOLLARS							
Bank Austria	100	10.875	101.58	Nov.2004	2.125	-	Barclays de Zoete Wedd
SWISS FRANCS							
Credit Local de France	150	5.50	102.375	Nov.1997	-	-	Swiss Bank Corp.
Oest. Bundesbahnen(c)♦‡	100	(c1)	100.00	Nov.2004	-	-	Credit Suisse
LUXEMBOURG FRANCS							
Banque Indosuez	2bn	8.625	102.15	Nov.2004	2.00	-	BCEE

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. ♦Unlisted. ‡Floating rate note. R: fixed re-offer price; fees are shown at the re-offer level. a) Discover Card Master Trust. a1) Expected maturity: 15/4/02. Average life: 7 yrs. a2) 1-mth Libor +35bp, max 14%. a3) Expected maturity: 15/5/02. Average life: 7.8 yrs. Monthly coupons. b) Priced today. c) Callable on coupon dates from Nov.99 at par. c1) 6-mth Libor +20bp. s) Short 1st coupon.

Morgan Stanley to advise GPA Group on debt refinancing

By Graham Bowley

Morgan Stanley, the US investment bank, has been awarded the mandate to advise GPA Group, the aircraft leasing company, on further refinancing options ahead of significant debt repayments due in 1996 and 1998.

Both GPA and Morgan Stanley were keen to point out that no decision had been taken as to what form the refinancing would take.

"This is part of a long-term planning exercise. GPA is now in a position to consider well in advance its refinancing payments in 1996 and 1998," GPA said.

GPA is due to repay $1.3bn of its $5.4bn debt in September 1996. In August, it launched a $1bn securitisation of its aircraft lease portfolio, the second of its kind by GPA, in a deal arranged by Lehman Brothers.

Lehman Brothers continues to manage the securitisation programme and Schroder, the UK bank, will continue in its current role as an independent adviser to the GPA board.

Last year, GPA completed a restructuring with the sale of a number of its aircraft to General Electric. The company also benefited from the emergence of America West airline from Chapter 11 bankruptcy protection in the US.

As a result of these developments and the general improvement in operating conditions, Standard & Poor's last month upgraded its rating on GPA's secured debt to B and on its senior unsecured debt to CCC+ from CCC.

Investors stay on sidelines ahead of US jobs data

By Patrick Harverson in New York and Conner Middelmann in London

US Treasury prices were little changed across the maturity range yesterday morning as many investors stuck to the sidelines ahead of Friday's all-important jobs data.

By midday, the benchmark 30-year government bond was down $\frac{1}{8}$ at 95$\frac{27}{32}$, yielding 7.856 per cent. There was a similar lack of movement at the short-dated end of the market, where the two-year note was down $\frac{1}{32}$ at 99$\frac{21}{32}$, to yield 6.670 per cent.

Trading was described as extremely quiet from the opening. The morning's only news of note – a 0.6 per cent rise in leading economic indicators during August – met analysts' expectations, and was largely ignored. Instead, attention remained firmly focused on the September employment report, which is due to be released on Friday.

Following recent fresh signs of economic strength, the government bond market is bracing itself for another interest rate increase from the Federal Reserve.

Investors fear that the policy tightening could come as soon as Friday, if the September jobs data are much stronger than expected.

If non-farm payrolls prove to have risen by 300,000 or more, analysts expect the Fed to raise rates immediately. It was fear of this scenario that kept so many investors out of the market yesterday.

■ European government bond markets regained their poise after Monday's slippage, but sentiment remained fragile and dealers said they expected trade to stay directionless ahead of Friday's release of US employment data.

GOVERNMENT BONDS

They reported little activity from investors, many of whom are seen to be holding their fourth-quarter asset allocation meetings.

While inflation fears continue to overhang the bond markets, "many investors are beginning to attach higher risk to the prospect of equity weakness, which could lead to strength in bonds", said Mr Malcolm Roberts, head of global bond research at Union Bank of Switzerland.

In recent weeks traders have reported increased shifts into bonds from equities, especially in the UK markets.

Moreover, observers say that many cash-rich investment institutions may be more likely to put fresh funds into bonds rather than equities.

"There is a sense that equities in many markets are expensive relative to bonds," says Mr Roberts.

■ UK gilts put on the best performance of the day, gaining nearly half a point after losing almost a point on Monday. The December long gilt futures contract rose by $\frac{13}{32}$ to 99$\frac{9}{32}$.

Among other factors, gilts gained support from spread-purchases against German bonds. After widening to 151 basis points on Monday, the 10-year yield spread over bunds narrowed to 135 basis points yesterday.

Also underpinning gilts were a more sanguine assessment of Monday's M0 money supply data, which were seen as something of an aberration, and reports of falling house prices and short-time work at two Ford car plants in the UK.

■ German bonds made little progress, ending barely changed after a day of range-trading.

"The World Bank's DM2bn issue of five-year eurobonds was the major focus in the D-Mark sector; there wasn't much to inspire the bund market," said one trader.

Meanwhile, the October 16 federal elections continue to weigh on bunds, and traders said they did not expect to see significant investor activity in the bund market before then.

■ French government bonds outperformed their German counterparts, causing the 10-year yield spread over bunds to narrow to 55 basis points from 65 on Monday.

Tomorrow's auction of some FFr18bn–FFr20bn of 10-year bonds did not weigh on the market, with dealers expecting the 7.5 per cent coupon on the new OAT to attract solid investor demand.

US institutions to buy more foreign equities

By Conner Middelmann

US institutional investors expect to increase substantially their overseas equity exposure over the short and long term, and are likely to focus on emerging markets and smaller-capitalisation issues, according to a recent report.

The survey of US banks, insurance companies, mutual funds and pension funds, conducted in July and August by New-York based Broadgate Consultants, found that belief in broad-based economic recovery in Europe, widespread global corporate restructuring and continuing development of emerging markets, especially in Latin America, were fuelling interest in global investments.

In the survey, 84 per cent of respondents said that they expected to increase their international equity holdings over the next five years, with three-quarters expecting to allocate "significantly more funds" offshore over the next 18 months.

"Sophisticated US market participants are not limiting their global investments to larger, high-profile companies," the report said. Almost 70 per cent of those surveyed said small capitalisation issues had become an essential part of their global programmes.

Emerging markets continue to hold great allure, with 74 per cent identifying developing markets in Latin America and Asia as leading opportunities.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		9.000	09/04	92.0200	-	10.30	10.20	9.49
Belgium		7.250	04/04	91.5000	-0.100	8.58	8.56	8.67
Canada *		6.500	06/04	84.7000	+0.150	8.89	9.00	8.88
Denmark		7.000	12/04	86.6500	+0.100	9.06	9.03	9.19
France	BTAN	8.000	05/98	101.2500	-	7.55	7.36	7.40
	OAT	5.500	04/04	82.5000	+0.200	8.21	8.14	8.05
Germany Treu		7.500	09/04	98.4600	-0.620	7.72	7.62	7.51
Italy		8.500	08/04	91.0000	-0.900	11.82†	11.45	12.18
Japan	No 119	4.800	06/99	103.3150	-0.100	3.97	3.84	4.04
		4.100	12/03	96.8230	+0.130	4.59	4.49	4.64
Netherlands		5.750	01/04	87.7000	-0.100	7.65	7.54	7.49
Spain		8.000	05/04	81.6500	+0.050	11.21	11.10	11.41
UK Gilts		6.000	08/99	89-12	+2/32	8.72	8.71	8.49
		6.750	11/04	86-29	+6/32	8.86	8.92	8.74
		8.000	10/08	101-10	+12/32	8.83	8.88	8.74
US Treasury *		7.250	08/04	97-08	+1/32	7.66	7.57	7.24
		7.500	11/24	95-28	+3/32	7.86	7.80	7.54
ECU (French Govt)		6.000	04/04	82.8000	+0.180	8.72	8.69	8.60

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Lunchtime		Treasury Bills and Bond Yields			
Prime rate	7¾	One month	4.52	Two year	6.67
Broker loan rate	8½	Two month	4.69	Three year	6.98
Fed.funds	4¾	Three month	5.05	Five year	7.34
Fed.funds at intervention	-	Six month	5.62	10-year	7.65
		One year	6.01	30-year	7.85

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	110.14	110.28	+0.20	110.36	109.92	133,248	126,217
Mar	109.38	109.52	+0.20	109.52	109.38	363	7,822
Jun	108.64	108.78	+0.20	108.64	108.64	2	354

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Nov	Calls Dec	Calls Mar	Puts Nov	Puts Dec	Puts Mar
110	1.10	1.57	-	0.91	1.32	2.41
111	0.61	1.03	1.48	1.40	1.80	-
112	0.29	0.68	-	2.06	2.40	-
113	0.11	0.39	-	-	3.10	-
114	0.04	-	-	-	-	-

Est. vol. total, Calls 22,459 Puts 23,502. Previous day's open int., Calls 219,181 Puts 303,213.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	88.35	88.34	+0.02	88.46	88.09	96570	154579
Mar	87.60	87.65	-0.05	87.70	87.60	90	1789

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
8800	0.94	1.34	1.15	1.48	0.60	1.00	1.50	1.83
8850	0.67	1.00	0.92	1.25	0.83	1.22	1.77	2.10
8900	0.44	0.81	0.73	1.04	1.10	1.47	2.08	2.39

Est. vol. total, Calls 11600 Puts 12937. Previous day's open int., Calls 212289 Puts 201383

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98.70	99.02	+0.09	99.30	98.69	35032	65360
Mar	98.45	98.37	+0.09	98.45	98.45	200	1035

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
9900	1.88	2.61	1.86	3.24
9950	1.62	2.39	2.10	3.52
10000	1.37	2.19	2.35	3.82

Est. vol. total, Calls 1136 Puts 441. Previous day's open int., Calls 15984 Puts 22279

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	86.16	86.41	+0.19	86.44	86.06	22,687	72,558

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	98-28	99-09	+0-12	99-17	98-24	55412	97300
Mar		98-21	+0-12			0	0

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
99	1-55	2-33	1-37	2-55
100	1-22	2-05	2-04	3-27
101	0-60	1-45	2-42	4-03

Est. vol. total, Calls 4645 Puts 2138. Previous day's open int., Calls 54348 Puts 36454

Ecu

■ ECU BOND FUTURES (MATIF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	79.42	79.62	+0.16	79.88	79.30	842	8,426

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	98-21	98-24	+0-05	98-28	98-16	258,593	397,536
Mar	98-00	98-02	+0-05	98-04	97-28	990	26,214
Jun	-	97-08	-	-	-	209	10,773

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	107.76			107.82	107.75	1337	0

* LIFFE contracts traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Oct 4	Day's change %	Mon Oct 3	Accrued interest	xd adj. ytd		Low coupon yield Oct 4	Oct 3	Yr. ago	Medium coupon yield Oct 4	Oct 3	Yr. ago	High coupon yield Oct 4	Oct 3	Yr. ago
1 Up to 5 years (24)	119.27	-0.05	119.32	1.88	8.39	5 yrs	8.78	8.75	6.24	8.84	8.82	8.49	9.03	9.01	8.66
2 5-15 years (22)	136.98	-0.17	137.22	1.55	10.29	15 yrs	8.71	8.71	7.07	8.86	8.84	7.21	9.08	9.05	7.43
3 Over 15 years (8)	153.14	----	153.13	2.21	9.81	20 yrs	8.65	8.67	7.19	8.86	8.84	7.28	8.98	8.95	7.45
4 Irredeemables (6)	174.98	—	174.97	3.59	6.83	Irred.†	8.73	8.72	7.33						
5 All stocks (60)	134.96	-0.10	135.09	1.85	9.82										

Index-linked							Inflation 5% Oct 4	Oct 3	Yr. ago	Inflation 10% Oct 4	Oct 3	Yr. ago
6 Up to 5 years (2)	184.63	+0.07	184.50	0.02	5.07	Up to 5 yrs	4.08	4.10	2.53	2.97	2.98	1.74
7 Over 5 years (11)	172.64	+0.10	172.47	0.84	3.85	Over 5 yrs	3.88	3.88	3.15	3.69	3.69	2.97
8 All stocks (13)	173.01	+0.09	172.85	0.78	4.04							

Debentures and Loans						5 year yield Oct 4	Oct 3	Yr. ago	15 year yield Oct 4	Oct 3	Yr. ago	25 year yield Oct 4	Oct 3	Yr. ago
9 Debs & Loans (76)	125.41	+0.34	124.98	1.86	8.89	9.89	9.91	7.78	9.81	9.84	8.12	9.73	8.77	8.27

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Oct 4	Oct 3	Sep 30	Sep 29	Sep 28	Yr ago	High*	Low*
Govt. Secs. (UK)	90.22	90.04	90.84	90.30	90.43	102.26	107.04	89.54
Fixed Interest	106.93	107.17	107.34	107.29	107.02	123.18	133.87	106.50

* for 1994. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 133.87 (21/1/94), low 50.53 (3/1/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Oct 3	Sep 30	Sep 29	Sep 28	Sep 27
Gilt Edged bargains	80.2	122.2	111.7	137.9	104.5
5-day average	111.3	115.5	114.2	116.4	107.1

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on October 4

[illegible]

UK GILTS PRICES

[illegible]

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COMPANY NEWS: UK

Silentnight lower after downturn in UK beds

By David Blackwell

Tough market competition depressed interim profits at Silentnight Holdings, Europe's biggest bed manufacturer.

Pre-tax profits for the six months to end-July fell from £5.22m to £4.11m. The latest figure was struck after reorganisation costs of £592,000 for the closure of the group's Sutton bed factory announced last April.

Mr Bill Davies, executive chairman, described the performance of the UK beds business as disappointing. There was no sign of recovery and price competition remained intense.

However, the German bed and UK cabinet businesses had performed well, and the US division returned to profit.

Group sales improved from £79.6m to £83.5m.

The UK beds division, which continues to contribute the bulk of turnover, reported sales of £47m (£47.9m) and operating profits, after taking the reorganisation charge, halved to £1.51m (£3.27m).

The group expects the consolidation of bed production on its Barnoldswick site to bring annual cost savings of £750,000.

In contrast, the UK cabinets division lifted operating profits by 24 per cent, from £1.17m to £1.45m, on sales up from £19.8m to £22.3m. Mr Davies said the improvsments had been made in spite of the flat market for furniture.

The capital expenditure of 18 months ago had led to a good product range, and increasing volume would drop profits straight through to the bottom line.

The German beds division made operating profits of £635,000 on sales of £6.44m, down from £737,000 on sales of £6.28m.

In the US, where new management was installed last year, a previous loss of £14,000 on sales of £5.1m was turned into a profit of £341,000 on sales of £6.36m.

Earnings per share fell from 7.41p to 5.84p, while the interim dividend is maintained at 2.75p.

● COMMENT

Not before time, the group has given a divisional breakdown. It makes clear that the biggest problem remains the UK bed market, where margins are under prsssure. While this division performed worse than expected, the cabinets division rode to the rescue, and the US climbed back into the black. Forecasting the profits for the bed division is difficult – the absence of exceptionals and the ensuing savings should lead to a £1.5m turnround, but the continuing effects of disruption are harder to quantify. Prices of raw materials, which account for 50 per cent of a bed, are also set to rise, with an 8 per cent increase expected in imported timber. Analysts yesterday reduced forecasts to about £11m this year and between £12.4m and £13.5m for 1995-96. The upper figure gives a prospective multiple of 10.9 – high enough.

Lower interest charge helps Boosey & Hawkes to £1.5m

By David Blackwell

Trevor Humphries

Instrument makers at work; the division showed strong growth

A fall in interest payments helped Boosey & Hawkes, the instrument maker and music publisher, to report higher interim profits yesterday.

Pre-tax profits for the six months to the end of June were ahead at £1.5m, against £1.41m. At ths operating level, however, profits eased from £2.41m to £2.34m.

Group turnover was 15 per cent ahead at £33.8m (£29.4m). Almost £2m of the increase was contributed by Karl Höfner, the German stringed instrument maker acquired for £390,000 last January.

Mr Richard Holland, chief executive, said the increase in total turnover "demonstrates that we are starting to recover from the effect of recession."

The flatness of the operating profits mainly reflected the lack of contribution from Höfner, exchange rates, and the effects of a change in royalties distribution.

Group margins were still recovering, Mr Holland said.

The company had been going for volume in order to keep its factories busy and reduce stocks. "Now we will be going for margins," he added.

The instrument division, which accounts for almost 80 per cent of sales, saw strong growth in the US and some parts of Europe. But sales to Japan – about 20 per cent of the group's market – remained flat.

The group is not expecting profits from Höfner to come on stream until next year. Stringed instrument making is being consolidated from three sites to one site in southern Germany.

The publishing division, which includes Rakhmaninov, Britten and Stravinsky on its books, increased its market share. Royalties were flat, but are expected to improve in the second half.

Net borrowings were reduced from £21m to £20.3m, and would have been down a further £1.2m but for the Höfner acquisition. Interest payable fell from £999,000 to £839,000.

Earnings per share rose from 3.7p to 4.16p. The interim dividend is raised to 1.32p (1.2p).

Travel losses push CSI down

By Simon Davies

Shares in Cannon Street Investments fell from 26½p to close at 15½p yesterday after the mini-conglomsrate revealed a decline in operating profit for the 28 weeks to July 16 and failed to announce its long-awaited debt restructuring and acquisition package.

The group said substantial losses from its travel business had reduced pre-tax profits from a restated £4.83m to £217,000. The figure last time, however, included £4.32m profit from disposals.

Turnover fell to £67m (£99.6m) while trading profit from continuing business was sharply lower at £1.33m (£2.88m). The company had been forecast to make £7m for the full year.

It had also been expected to combine the announcement with details of an acquisition, which will almost certainly require shareholder funding and the restructuring of the £25.7m preference shares held by the Bank of Scotland. This package is now likely to be revealed at the end of October.

Profits from the core electronics business declined from £3.25m to £2.72m. However, Altai, which accounted for about 60 per cent of the division's profits, experisnced strong growth in its European markets, where sales volumes rose by 35 per cent. Any acquisition is likely to be aimed at building on the strength of this core business.

Food and drink distribution contributed £553,000 (£323,000), bnt the hotels and leisure operations lost £975,000 (£86,000) after a £800,000 loss from Cotsworld Travel. The division is expected to be profitable in the second half.

Losses per share were 1.41p (3.01p earnings).

Outstanding preference dividends amount to £4.48m, and ths company cannot fund acquisitions, or resume dividends, until the preference shares are restructured.

Courtaulds Textiles in Chinese joint venture

By Tim Burt

Conrtaulds Textiles, the clothing and fabrics group, yesterday announced its first move into China with the formation of a joint venture to prodnce knitted fabrics.

The move follows 18 months of exploratory visits and talks with officials in Jiangsu Province, the centre for the country's textile industry.

Under the joint venture agreement, Courtanlds will invest $20m (£12.6m) over three years in Penn China – a new manufacturing company based in Nanjing, the provincial capital some 150 miles from Shanghai.

Althongh other UK textile companies have embarked on similar schemes, Mr Noel Jervis, chief executive, claimed it was the first deal involving stretch fabrics.

"Penn China will knit, dye and finish fabric for the lingerie and automotive trim markets both in China and for export," he said.

Courtaulds will hold 85 per cent of the shares, with the remainder retained by Jiangsu Provincial Textiles Bureau.

The venture is expected to strengthen the company's foothold in south-east Asia, where it already has operations in Thailand and the Philippines.

If successful, Mr Jervis said the company would consider investing a further $20m in a lace manufacturing plant.

Lower costs help margins rise at VCI

By Richard Wolffe

VCI, one of the UK's largest independent publishers of videos and pre-recorded music, yesterday reported an 18 per cent rise in operating profits in its first interim results since flotation.

Shares lifted 1p to the issue price of 150p after the company announced operating profits of £1.01m (£856,000) on turnover of £23.3m (£23.5m) for the six months to June 30.

Mr Ivan Dunleavy, finance director, said improved margins were the result of reduced manufacturing costs and increased sales of higher-priced products. The company has also concentrated on its own video productions, which cut royalty payments.

VCI, whose video rights include "Thomas the Tank Engine" and "Mr Bean", is now marketing a range of CD-video titles and budget price computer software.

Its flotation in June raised about £28m net to clear £25.1m of debt after a management buy-out in 1989. Interim net interest costs fell to £944,000 (£1.96m) and the company is now ungeared.

Pre-tax profits fell from £4.03m to £67,000, following a £5.15m redemption of debenture last year. However, a pro forma calculation reveals pre-tax profits of £938,000 (£370,000).

Earnings per share fell to 0.3p (70.6p), although pro forma earnings rose to 2p (0.6p). There is no interim dividend, in line with the company's listing particulars.

COMPANY NEWS: UK

Last year's figures restated to take account of errors at United Clays

Watts Blake seeks German buys

By Tim Burt

Watts Blake Bearne & Co yesterday outlined details of a acquisition strategy designed to strengthen its position as the world's largest producer of *specialist* clays.

The Devon-based company, which mines ball and china clays for ceramic manufacturers, said it was discussing possible takeovers with a number of competitors in Germany, its largest market.

Although talks are at an early stage, the group is keen to exploit tha dominance of Fuchs-Ton, its German subsidiary, which already extracts 1.2m tonnes of clay a year.

Mr John Pike, managing director, said the moves had been backed by Sibelco, the privately-owned Belgian company, which has a 47.6 per cent shareholding and last year mounted a hostile takeover bid for the group.

"An acquisition would help us reduce compatition and strengthen our market position in Germany," he said.

Mr Pike declined to reveal the total gains at Fuchs-Ton, but he admitted that aggressive price competition had sliced £400,000 off the division's half year profits. Trading was affected by the strength of the D-Mark.

Nevertheless, rising UK sales and exports outside Europe helped lift pre-tax profits by 24 per cent to £5.13m in the six months to June 30, against £4.14m.

The improvement was flattered by £475,000 of exceptional items last time incurred fighting Sibelco's now lapsed takeover bid and tha downward restatemant of last year's results to take account of "serious accounting errors" at United Clays, the US- subsidiary.

Last year's interim profits were reduced by £118,000 and the full year figures by £235,000 to £7.71m. The division's chief financial officer has been replaced.

The group improvement was underpinned by increased profits at Devon Clays, the largest division, which saw sales rise from £18.1m to £20.8m, accounting for half the group total of £41.8m (£39.3m).

In the US sales volumes improved with higher sales to Mexico offsetting lower figures to the US and Canada.

Earnings per share rose from 12.2p to 16p and the interim dividend is lifted to 3.9p (3.5p).

● **COMMENT**

If Watts is looking for short term gains, it had better think again about Germany. Some of Fuchs-Ton's rivals may be willing to sell, but in a sluggish market the rewards will be a long time coming. Questions also remain over Sibelco's role in such a deal. The Belgians are close to majority control and are unlikely to back a dilutive acquisition. However, the modest 9 per cent gearing gives it room for manoeuvre and improvements at Devon Clays should lift full year profits to about £9.7m. The shares, which closed up 3p at 545p, look pricey on a forward multiple of 18, although they offer safer long-term value.

Grand Central in black with £0.2m midway

Grand Central Investment Holdings, the food group with interests in the Asia Pacific which recently acquired UK chocolate maker Meltis, moved from a £745,000 loss to a pre-tax profit of £203,000 for the six months to June 30.

Turnover was down from £32.9m to £25.4m, following a group restructuring in which Sunshine Allied Investments becama an associated undertaking.

After a tax charge of £20,000 (£152,000 credit) and minorities of £39,000 (£93,000 credit) there was an attributable profit of £144,000 (£500,000 loss) to give earnings per share of 0.36p (1.27p loss).

There was a contribution of £273,000 from Network Foods, which was listed on the Australian stock exchange in January.

NFL announced a maiden interim of 2 cents; there is again no dividend from Grand Central.

Midlands Electric buys back 10% of its shares

By David Lascelles, Resources Editor

Midlands Electricity bought back 10 per cent of its shares for £153.5m yesterday, following the well-established practice among electricity ntilities.

The buy-back, carried out by Cazenove, the company's stockbrokers, was undertaken to increase earnings per share, Midlands said. Shareholder approval was obtained at the annual meeting in August.

The buy-back of 21m shares was made at an average price of 725p. The shares closed up 11p at 712p as other electricity stocks also gained strongly.

As with a recent buy-back by Northern Electric, the deal was structured in a way that should anable institutional investors to treat the proceeds as a distribution qualifying for a tax credit. But Midlands said it was up to individual investors to negotiate the credits with the Inland Revenue.

NEWS DIGEST

Johnston Group back in black

With pre-tax profits of £2.41m, Johnston Group, the construction and civil engineering company, was back in the black at the end of the six months to June 30. Last year's losses were £393,000 at interim stage, £2.6m at the year-end.

Turnover increased 5 per cent to £67.7m (£64.2m).

Losses at Johnston Construction were much reduced, but it had "some way to go" before providing a satisfactory return, the company said. California-based Johnson Sweeper Company was taking longer to break even than planned. However, improved turnover and margins led to increased profits in the construction materials division.

Earnings per share were 12.91p compared with losses of 4.62p. The recommended interim dividend is 3.5p (1p).

Orchid expands

Orchid Drinks has bought Callitheke, a producer of Aqua Libra and other "adult" soft drinks from Grand Metropolitan for an undisclosed sum. The purchase, which includes a plant and the Purdey's, Dexters and Norfolk Punch brands, will make Orchid leader in its market segment.

Protean acquisition

Protean, the laboratory equipment and water purification specialist, is to acquire Jenway, the bench-top monitoring and analysis equipment manufacturer, for £4.15m.

Funding will be met with £2.8m in cash, £1.2m in loan notes and £150,000 in Protean ordinary shares.

Essax-based Jenway was established in 1973. For the year to July 31, pre-tax profits were £167,000 after non-recurring expenses, on turnover of £4.25m.

Millgate warning

Millgate, the USM-traded supplier of anti-theft devices for cars, has warned that pre-tax profits for the second half ending November 30 are unlikely to exceed those of the first.

Pre-tax profits for the first half were £308,000, a fall of 33 per cent. The company said that although the shortage of supplies from Italy had now been rectified, sales since June had been slower to recover than anticipated.

UniChem buys shops

UniChem has strengthened E Moss, its high street chemists chain, with the acquisition of six retail pharmacies in the Norwich area from Reads Pharmacy.

The consideration, up to a maximum of £2.48m plus stock at valuation, will be satisfied in cash. The deal will bring E Moss's total number of outlets to 309.

The Reads pharmacies produced turnover of £3.42m in the 12 months to October 1993.

UDO in £3.4m deal

UDO Holdings, the supplier of drawing office materials, has bought LDO and Geoprint for a total of £3.38m cash.

LDO, another drawing office supplies company, reported pre-tax profits for the year to May 31 1994 of £366,000 and net assets at the period end of £1.21m.

Geoprint, a reprographic company, had pre-tax profits of £106,000 for the year to March 31 1993 and year end net tangible assets of £900,000.

Bradford Property

Bradford Property Trust is making an offer to acquire Harborne Tenants, which will value the property investment company at £11.4m.

The offer values esch Harborne ordinary share at 230p and each preference share at 60p. BPT currently owns 28.1 per cent of Harborne's ordinary and about 23.7 per cent of its preference shares.

Harborne owns tenanted residential properties in the Midlands.

Regal buys again

Regal Hotel Group, which operates provincial hotels, has made its eighth acquisition this year with the tha purchase of the Parksida Inne, Pontefract, West Yorkshira for £1.75m in cash.

Set in around five acres of land, the Parkside Inne is a recently-converted nineteenth century farmhouse which has been extended. The hotel has 28 bedrooms, a restaurant, carvery and three conference rooms.

Alexanders purchase

Alexanders Holdings, the Glasgow-based Ford dealer, has bought Metheringham Car Sales of Lincoln, a privately-owned dealership whose franchises include Jeep, Mazda and Nissan, for £1.38m cash.

Pre-tax profits at Metheringham for 1993 were £122,000 on turnover of £11.23m. Net assets at that date were £1.26m. Applying Alexanders' accounting policies, pre-tax profits and net assets would be £103,000 and £1.21m respectively.

Prior buys Rainbow

Prior, the property group, has, with a joint venture partner, bought the Rainbow Theatre in north London for an undisclosed sum.

Mr James Prior, chairman, said he planned to restore the theatre, turning it into a concert venue seating 4,000 people. A nightclub with a capacity of 1,000 will also be built in the theatre's foyer.

The deal was made through Prior Kirschel Properties, a joint venture company formed last year to acquire leisure and entertainment venues.

Mersey Docks/Vag

Mersey Docks and Harbour Company has won the contract to become the southern port of entry for Volkswagen and Audi cars, through its recently acquired port of Sheerness.

The Vag contract will last 10 years and should move 65,000 cars a year from a 50 acre holding terminal. This will more than make up for the recent loss of the Toyota contract, which switched to Bristol. Toyota moved about 45,000 cars a year.

Control Techniques

Control Techniques, the Wales-based controls and drives producer, has won its first significant order in Germany for its FNC computer numerical control system, which is used on machine tools.

Control Tachniques Germany has received an initial order worth DM600,000 (£246,000) from Behrens, which makes laser cutting machines for the metals.

COMPANY NEWS: UK

Recovery in key markets allowed price increases to be passed on

Ibstock back in profit at £4.4m

By Christopher Price

The slow recovery in the UK building market helped Ibstock, Britain's third biggest brick maker, move back into the black for the first six months of the year, reporting pre-tax profits of £4.36m against losses of £17.1m.

There were also improvements in the US building material business, with hrick demand also picking up, and in the international pulp market.

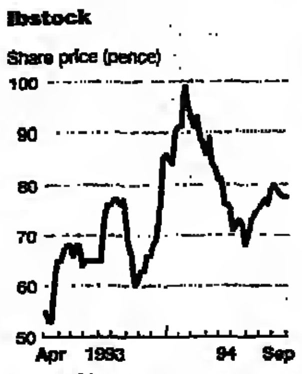
Mr Ian Macfellan, managing director, said the recovery in Ibstock's key markets had enabled ft to pass on price increases successfully. "We expect further modest price increases in bricks in the region of 5 to 6 per ceot next year, although they have some way to go to recover pre-recession levels," he added.

Mr Cohn Hope, chairman, struck a note of caution. He said: "We anticipate the steady improvement in demand to continue into 1995, although the essential increases in price that are required to achieve improved margins may be slower to materialise."

Turnover declined 32 per cent to £96.9m (£141.8m), although 1993's interim figure was inflated by contributions from discontinued businesses of £48.5m. On continuing operations, turnover advanced 4 per cent from £93.3m.

Operating profits from the UK brick business more than tripled from £1.14m to £3.9m on turnover 11 per cent ahead at £33.5m (£30m). The US operations had profits of £826,000 against losses of £509,000, having returned to the hlack at the year-end.

However, tough trading conditions in the Portuguese building market turned profits of £424,000 into losses of £287,000. Turnover slid 19 per cent to £7.11m (£8.83m). Higher pulp prices belped the forestry products business move into the black, operating profits of £1.07m being reported against losses of £2.9m. Prices increased from $400 to $600 a tonne in the last year.



Source: FT Graphite

Earnings per share were 1.13p (losses of 4.93p). The dividend is maintained at 0.5p. Net debt fell from £35.6m at the year-end to £29.4m, mainly due to the sale of Ibstock's 20 per cent stake in a Portuguese pulp company, raising £7.95m.

● **COMMENT**

The higher pulp prices and encouraging brick margins which enabled Ibstock to move back into the black reflect its current position in the recovery cycle. Full-year profits of around £12m would put tbe stock on a hefty premium to the market, although this falls as the recovery comes through into 1995's earnings. Profits of around £21.5m then would give earnings of 5.6p, a p/e of 14, a 10 per cent premium to the market and a slight premium to the sector. A justified rating in its present position, although whether the improvement in margins continues will depend largely on whetber recovery in the bousing market is sustained.

BAe confirms VSEL bid talks

By Simon Davies

British Aerospace has finally confirmed that it is seeking to negotiate a "recommended offer" for VSEL, the submarine maker.

Britfsb Aerospace's announcement of discussions follows five days of speculation over the deal; hut advisers said the company was anxious to ensure there was a firm hasis to negotiations before they were made public.

The company was also under considerable pressure from the Stock Exchange to make a statement. Shares in VSEL rose 17p to 1195p oo the news that negotiations were moving forward, and a final announcement could be made before the week-end.

British Aerospace is aiming to hecome a major defence contractor on land, sea and air, but thus far its sea activities have heen restricted to weapons systems rather than shipbuilding. The company clearly reckons that fts expertise in defence contracting and systems integration could help VSEL win tha next Ministry of Defence contracts for Trafalgar Class submarines.

An added attraction is VSEL's casb holding of around £320m, which would provide welcome support for a group which suffered a £115m operating cash outflow in the first half of 1994.

Tbe Ministry of Defence, which is a key party to negotiations as both VSEL's major customer and bolder of a golden share in its shipbuilding operations, has been briefed on progress. Britisb Aerospace is confident a deal would be approved.

The negotiations are being handled by Kleinwort Benson, for Britisb Aerospace, and Morgan Grenfell.

So far tbere has been no approach from an obvious alternative buyer, GEC. Analysts said GEC was unlikely to emerge from the background until a price was agreed, or unless talks collapse.

Fabrics side underpins 39% growth at Lamont

By Peter Pearse

A successful performance from the fabrics and fabric printing division underpinned a 39 per cent pre-tax profits increase at Lamont Holdings, the Northern Ireland-based textiles group, in the first half of 1994.

However, that success was a sharp counterpoint to the troubles the group experienced in the carpet and carpet yarn division, which swung into the red at the operating level. Lamont's shares eased 4p to 333p.

Group pre-tax profits rose to £5.62m (£4.05m) on turnover 8 per cent ahead at £71m (£65.8m). Within those figures, operating profits from the fabrics side grew 52 per cent to £6.39m (£4.2m) on turnover up 33 per cent at £43.2m (£32.6m), while the carpets side fell into losses of £437,000 (profits £561,000) on turnover down £2m at £26.9m.

Mr Dick Milliken, chief executive, said that the maintenance of gross margins at 27.4 per cent masked an underlying pressure on group margins. On carpets they were down about 2 points, and the half under review included Cunningham Johnson, the fahric printer bought in October 1993 and now consolidated into Alexander Drew.

Since June, Lamont bas hought for £500,000 a linen weaving operation in Estonia. Sir Desmond Lorimer, chairman, said it was an exciting prospect "if we can make it work".

Sir Desmond the recovery was "hesitating, rather tban progressfng", impacting adversely on the carpets side. Although Northern Ireland Carpets, the downmarket manufacturer, remained resilient and in profit, Shaw Carpets in Barnsley was likely to incur greater fosses this year than 1993's £2m.

Deciding agafnst closure because of the previous £4m investment on the backing plant, Shaw is to be "brought into line with current market activity levels". This, Sir Desmond said, would cost £2m-£3m this year and would involve about 150 job losses out of the 350 total.

Borrowings at June 30 were about £14m (£9m) and, after expected capital expenditure of £17m for the year, would total about £28m at the year-end.

Earnings rose to 12.6p (10.62p) per share and tbe interim dividend is lifted to 3.65p (3.5p).

Raine price falls as £13.1m profit slips below forecast

By Christopher Price

Shares in Raine fell 12 per cent to 57p yesterday as the housebuilding and constructfon group reported annual profits at the bottom of market expectations.

It also made cautious comments over its US housing and UK contracting businesses.

Althougb pre-tax profits advanced 21.6 per cent to £13.14m (£10.81m) for the year to June 30, City analysts had been forecasting profits towards £13.5m.

Turnover showed little growth, coming out only 2 per cent abead at £456.5m (£446.2m).

UK bousebuilding provided the main source of profits.

It increased by 30 per cent to £16.4m (£12.6m) at the operating level, on turnover 2 per cent up at £206.79m (£202.29m).

The number of bouses sold by the group's Hassall Homes division rose by 7 per cent to 1,985.

Tbe average selling price also rose, from £68,020 in 1993 to £70,220. Tbe company is forecasting an increase to £80,000 in 1995, although this would in part reflect a move towards building more "middle market homes".

Hall & Tawse, which provides housing to local authorities, increased its completions rate by 23 per cent to 1,329 homes.

Mr Peter Parkin, chairman, said the contracting market had been squeezed by higber supplier prices and industry overcapacity.

This had put intense pressure on margins.

"We believe we are at the bottom of the cycle and expect some recovery to sbow through to the balance sheet in 1996," he said.

Operating profits declined from £1.18m to £429,000 on turnover up 2 per cent to £249.7m (£243.9m).

The company was also taking steps to shed Its Californian hoosebuilding business. Mr Parkin said investment in the region of $10m-$15m would be required over the next two or three years in order to make it more saleable. He expected it to fetch in excess of its net assets of $55m.

Earnings per share rose from 4.34p to 4.66p. The final dividend is 2p (1p), maintaining a total dividend of 3p.

● **COMMENT**

Given the continued difficulties in its UK contracting and Californian businesses, Raine is looking to its UK bousebuilding business to grow profits. But here, too, a sprightly start to tbe year has been marked by a slowdown in sales, particularly since the latest rise in interest rates. The market's fearful response to this prognosis left the shares trailing at 57p yesterday. The high yield and a net asset valne of 64p sbould provide some support from bere. But the upside looks equally limited. On a prospective eps of 6.4p for 1996, the shares are on a p/e of nine times, at a discount to the market but well ahead of the likes of Barratt and Beazer.

BB & EA on target with 9% gain

Britisb Building & Engineering Appliances, which was demerged from BM in October last year, reported a 9 per cent advance in pre-tax profits for the year to June 30.

Mr Robert Paine, chairman, said it had been an encouraging start for the newly independent group and was in line with expectations wben BM placed its 75 per cent bolding.

He added that the group was experiencing patchy improvements in the economy, but it had been getting increased orders and work in hand was now 40 per cent higher than last year. The shares bowever, fell 5p to 195p.

Turnover advanced to £50.6m (£43.4m) of which £1.17m (£2.7m) related to discontinued activities. Turnover sbowed an underlying improvement of 21 per cent. Pre-tax profits were £2.51m (£2.31m) after higher net interest charges of £522,000 (£440,000).

Earnings per share came out at 16.7p (14.2p) and an unchanged final dividend of 5.5p is proposed for a same-again total of 8p.

Asda Property up to £4.4m

By Simon London, Property Correspondent

Trading profits from sales of residential property belped Asda Property Holdings to increase pre-tax profits for the six months to end-June from £2.47m to £4.43m.

Profit from trading properties rose by £1.3m to £2.5m in the period, the bulk of which came from sales of residential investments. The company's remaining residential portfolio amounts to £3m and will be sold in the near term.

Net rental income was £6.3m, up from £5.2m, reflecting acquisitions made in the second half of last year and lettings of vacant property.

Interest charges rose from £2.88m to £3.15m, hut last year's figure included £300,000 capitalised interest. This year's charge reflects the one-off £300,000 cost of unwinding interest rate swaps.

Turnover amounted to £15m (£11.2m). Earnings per share were 3.4p (2.5p) and the interim dividend is increased to 0.75p (0.7p).

Asda was a net seller of property in the first half, disposing of £10m assets against purchases totalling £3.5m. Mr Tony Roscoe, managing director, said that prices being sought in spring and early summer were unrealistic, but that tbe market bad slipped hack since the summer and Asda had again started to buy.

Since the half-year end, the company has spent £17m, incfuding £8.5m on a portfolio of 28 shops acquired from a high street retailer and £3.9m in a half share of a retail warehouse park in Cwmbran, South Wales.

Mr Roscoe said that the retail portfolio required active management. Some of tbe sbops would be refurbished and retained, while otbers would be sold.

Upton considers fund raising

Shares in Upton & Southern slipped ½p yesterday to 7p when the department store group announced it was considering raisiog additional equity capital.

In February, it hougbt Reject Shop, the furniture and bousehold goods cbain, for £2.5m in an all-paper deal. In August, Upton announced that the financial and trading position of Reject Shop was materially worse than had been represented at the time of the recommended offer, resulting in a £2.75m casb shortfall. Aboot one third of the stock Upton expected in Reject Shop was found not to be there.

It said it was consideriog legal action not only against some former directors of the Reject Shop, but also agatnst fts own financial advisers.

Exports boost Shepherd Neame

Shepherd Neame, the Kent brewer, reported an 8.6 per ceot rise in pre-tax profits from £4.71m to £5.11m in the year to July 2 as its Bishops Finger and Spitfire brands gained from national distribution and strong export sales, writes Roderick Oram.

Turnover advanced 12 per cent from £39.1m to £43.8m. Earnings per share were 60.2p (54.4p) and a final proposed dividend of 15p makes a total of 19p (17.5p).

The Kent pubs suffered from cross-Channel duty-free imports but any decline was more than offset by strong sales of Bishops Finger in Calais stores, Mr Bobby Neame, chairman, said.

Good progress at Compass

Shares in Compass, the catering and healthcare group, rose 8p to 327p yesterday after directors said that the integration of Canteen, its $450m US catering acquisition, was progressing well, writes David Blackwell.

No contracts were lost because of the change of ownership and trading results were above expectations.

Fiscal buys properties in Croydon for £17.5m

By Simon London, Property Correspondent

Fiscal Propertles, the investment and development company which floated on the Stock Exchange in April, yesterday announced a £17.5m acquisition of office and retail properties in Croydon, south London.

The company also reported a £562,000 pre-tax loss for the six months to the end of June, against a £164,000 profit. The result includes £990,000 non-recurring costs relating to flotation.

Turnover increased from £1.6m to £4.5m and operating profit from £1m to £1.8m. The interim dividend is 0.624p.

Fiscal is buying 47.5 per cent of Croydon Land and Estates from Montagu Private Equity, the private equity arm of Midland Bank. CLE was set up earlier this year to acquire the commercial property portfolio of the London Borougb of Croydon, comprising 156 properties generating rental incoma of around £4.1m.

Directors of Fiscal already have an interest in 4 per cent of CLE. Montagu Private Equity, one of the founding shareholders, still holds a 35 per cent stake in Fiscal.

To avoid conflicts of interest, the terms of the transaction were negotiated by Fiscal's non-executiva directors.

The deal marks Fiscal's first move away from buildings occupied by government.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres-ponding dividend	Total for year	Total last year
Asda Property	int	0.75	Nov 17	0.7	-	2.2
Boosey & Hawkes	int	1.32	Nov 11	1.2‡	-	5‡
BB & EA	fin	5.5	Jan 10	5.5	8	8
Fiscal Props	int	0.624	Nov 15	-	-	-
Ibstock	int	0.5	Dec 1	0.5	-	1
Johnston	int	3.5	Dec 15	1	-	2
Lamont Hldgs	int	3.65	Dec 1	3.5	-	12.5
Raine	fin	2	Dec 2	1	3	3
Silentnight	int	2.75	Jan 3	2.75	-	8
Watts Blake	int	3.9	Nov 23	3.5	-	12

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ‡Adjusted for share subdivision.

PUBLIC NOTICES

NOTICE PUBLISHED BY THE SECRETARY OF STATE UNDER SUBSECTION 10(7) OF THE TELECOMMUNICATIONS ACT 1984

Licence to run telecommunication systems under section 7 of the Telecommunications Act 1984 granted to Racal Network Services Limited.

1. The Secretary of State hereby gives notice:

(a) that he has duly reconsidered the proposals in respect of which he published a notice on 7 June 1994 under subsections 8(5) and 10(6) of the Telecommunications Act 1984 ("the Act") regarding his intention to grant a licence under the Act to Racal Network Services Limited ("the Licensee") to run telecommunication systems throughout the United Kingdom;

(b) that he has granted such a licence ("the Licence") to the Licensee, being a licence which includes conditions such that section 8 of the Act applies to it, thereby making the Licensee eligible to have the telecommunications code contained in Schedule 2 to the Act applied to it under section 10 of the Act;

(c) that he has applied the telecommunications code ("the Code") to the Licensee subject to certain exceptions and conditions throughout the United Kingdom. The effect of these exceptions and conditions is that the Licensee has duties:

i. to comply with various safety and enviroomental conditions, in particular (with certain exceptions) to install lines underground or only on such above-ground apparatus as is already installed for any purpose;

ii. to comply with conditions designed to ensure efficiency and economy on the part of the Licensee, in connectioo with the executioo of works on land concerniog the installation, maintenance, repair or alteration of their apparatus;

iii. to consult certain public bodies before exercising particular powers under the Code, including the local planning and highway authorities and English Nature, Scottish Natural Heritage, the Countryside Council for Wales, the National Trust and the National Trust for Scotland, as well as relevant electricity suppliers;

iv. to keep and make available records of the location of underground apparatus and copies of the exceptions and conditions in the Licence to the powers under the Code; and

v. to ensure that sufficient funds are available to meet certain liabilities arising from the execution of street works.

2. The Secretary of State has applied the Code to the Licensee:

(a) because the Licensee will need the statutory powers in the Code to install and maintain the telecommunication systems which are to be installed and run under the Licence;

(b) subject to the exceptions and conditions referred to above because they are considered requisite or expedient for the purpose of securing that the physical environment is protected, that there is no greater damage to land than necessary, that the systems are installed as safely and economically as possible, and that the Licensee can meet (and relevant persons can enforce) liabilities arising from the execution of works.

3. The Secretary of State has granted the Licence because he considers that it will help to satisfy demands in the United Kingdom for the provision of aervices of the type authorised, will promote the interests of consumers in respect of the quality and variety of such services, and will maintain and promote effective competition between those engaged in the provision of telecommunication services.

4. The Licence has been granted for a period of 25 years in the first instance and is subject to revocation by the Secretary of State oo 30 days' notice in the circumstances specified in the Licence.

5. Copies of the Licence may be obtained from the Office of Telecommunications (Library), 50 Ludgate Hill, London EC4M 7JJ, price £12.00 postage and packing free.

Keith Avis
Department of Trade and Industry

5 October 1994

33 years after the beetle, we proudly present the crane to the public.

Dresdner Bank's unwavering commitment to equities.

Privatisations are today a principal focus of world-wide interest in the capital markets. it is sometimes claimed that the concept of the privatisation was invented in the UK during the 1980s. In fact, Dresdner Bank was playing a central role in the large-scale, multi-tranche privatisation of Volkswagen some thirty years earlier. Having continued in that tradition ever since, we're now serving as lead manager for the Lufthansa privatisation.

With an unwavering commitment to the equity sector, Dresdner Bank has been a major player in European investment banking since the Bank's founding in 1872.

As one of Germany's foremost universal banks, our streamlined investment banking structure makes possible decision-making that takes full account of the global perspective. This has earned us international recognition among our peers in the global equity market. We are one of the few German universal banks with a tightly organized team of syndication specialists who focus exclusively on structuring and executing highly successful equity and equity-linked deals. You can rest assured: when it comes to the packaging and marketing of equities issues, we know the ropes. So if you're involved in privatisation measures, the chances are you'll be hearing from us. Dresdner Bank Corporate Finance Division, Equity Capital Markets. Phone: +49/69/263-2221.

Dresdner Bank

COMMODITIES AND AGRICULTURE

European salmon farmers set for a bumper year

By James Buxton, Scottish Correspondent

This will be the most profitable year for salmon farming in northern Europe for some time, confounding the predictions of many industry experts, according to a Norwegian salmon industry executive.

Mr Jostein Refsnes, executive vice-president of Hydro Seafood, a large salmon producer in Norway and Scotland, attributed the upturn to a yield boost at existiog farms thanks to improved methods and better disease control.

This was combined with a rise in demand in Europe and the Far East in response to competitive prices and better marketing, notably by the Scots, he told the annual Scottish fish farming conference in Aviemore, Scotland.

The optimistic picture painted by Mr Refsnes contrasts with the gloomy one drawn earlier this year by Scottish salmon farmers. In February they urged the European Union to investigate allegedly unfair subsidies given to Norwegian farmers, which caused over-production and drove prices down.

Since then the Scottish farmers' relations with the Norwegians have improved and they have benefited from the factors listed by Mr Refsnes. Farms can now make a profit even though prices bave not increased much in real terms.

Mr Refsnes said the Far Eastern market for Norwegian salmon had grown by 68 per cent this year, while that in Europe was up by 23 per cent. Scottish attempts to hinder the free flow of Norwegian salmon into the EU had not succeeded.

The Scottish salmon growers association says UK demand has risen 26 per cent rise this year. Output is expected to reach 59,000 tonnes, up from 45,000 tonnes in 1993. Norway is expected to produce 220,000 tonnes and Mr Refsnes expected the gap in output between the two countries to widen.

Mr Refsnes criticised the idea, strongly advocated by Scottish farmers, of establishing producer organisations to control output and sustain prices. That, he said, would slow the development of the industry into larger units and allow the inefficient to survive.

Espy resignation leaves farm interests adrift

American farmers feel they are losing a valuable friend at court, writes Laurie Morse

Michael Espy's resignation as US Agriculture Secretary on Monday took many US farmers by surprise, and left farm interests adrift just as they faced their toughest battle ever to preserve their entitlement programmes before a congress less and less interested in rural issues.

A minor light in Washington, the soft spoken, articulate Mr Espy had taken on heroic proportions in farm country, where his rapid response to agricultural disasters, and his pro-farm positions on trade issues won him wide popularity.

The secretary said he would quit the Clinton cabinet at the end of the year to "clear his good name" in the face a widening array of allegations that he accepted favours from the agribusinesses he was charged with regulating.

Until the announcement most farm interests brushed off the Washington talk of ethics violations as inconsequential. "He was a congressman, he never really switched gears to operate like a secretary, but he is doing an excellent job," a Midwestern grain dealer stated last week.

In fact, Mr Espy's accomplishments during 18 months in office are substantial. During last summer's disastrous floods, when more than 23m acres in the Midwest were damaged, he not only expedited payment of more than $2bn in farm disaster claims, but repeatedly visited catastrophe areas to assure producers that government aid was on its way.

He also weathered strong criticism of the US Department of Agriculture after tainted meat caused deaths in the US pacific north-west last year. He turned the incident into a crusade, making food safety a major objective of the agency.

This past summer, faced with the worst forest fire season in US history, he was again quick to support the US forest service, which comes under the USDA's purview.

He also won Bill Clinton allies in farm states by backing trade sanctions against Canadian wheat imports even as be campaigned for agriculture, small and large, to support of the administration's major trade initiatives, the North American Free Trade Agreement and the Gatt.

In Washington, Mr Espy was forging the first overhaul of the USDA since its creation by Abraham Lincoln in 1863. His push to close 1,200 of the agency's 14,000 field offices, and to cut the Washington bureaucracy made him enemies in his own office, but will trim nearly $169m from the federal budget if carried through.

Most importantly for farmers, the former Mississippi congressman was knowledgeable about the workings of the Farm Bill, a massive piece of legislation that governs every aspect of US Agriculture and often dictates profit parameters for producers of scores of commodities. In place for five year, the Farm Bill is the embodiment of pork barrel and politics.

Current US agricultural legislation is to expire next year and farm groups and the USDA are already hard at work establishing the issues to be addressed in the 1995 Farm Bill.

Farm interests are now concerned that any one brought on in Mr Espy's place must immediately face the challenge of gettiog the Farm Bill through congress.

Declining farm populations leave farm states with fewer representatives in congress just as budget contraints are making urban politicians resentful of massive US farm payments. The USDA estimates that today, 370,000 farms earn 85 per cent of US farm income and most farm programme payments go to large farms with relatively large household incomes. It is no wonder that farm groups feel they need an effective friend at the helm of the USDA.

Eastern Germany in turmoil over agricultural counter-revolution

Conflicting claims are making land privatisation even more difficult than the authorities expected, writes Judy Dempsey

Mr Werner Loranz, who farms 1,300 hectares in the small village of Hohe Demzin in the eastern German state of Mecklenburg-Vorpommern, believes he is one of the gainers from German unification.

Along with 14 other farmers who pooled their resources, he reclaimed or rented land from the Treuhand privatisation agency, and even managed to secure a 12-year lease in the process. Once the lease has expired, and assuming there are no outstanding property claims, Mr Loranz will bave an option to buy the land at a preferential price.

"Things are going fine," says the 39-year-old farmer who until 1990, worked on the giant 6,000 hectare co-operative farm, parts of which were placed under the Treuhand after German unification in 1990. "We have no debts. We made a turnover of DM1.5m (£590,000) last year. But I must tell you that we are one of the lucky ones. Other farmers are in great difficulties".

Officials from Germany's agricultural ministry agree. "The restructuring and privatisation of land in eastern Germany has proven to be one of the most difficult processes the Treuhand has had to face," says Mr Otto Bammell, a senior expert at the ministry. "Actually, I do not think the turmoil has yet ended."

The turmoil started when tbe Treuhand, with two aims in mind, set about privatising 1.2m hectares of east German land in 1990. It first wanted to restructure east German agriculture, which entailed breaking up the Landwirtschaftliche Produktionsgenossenschaften, or LPGs, the large co-operatives, and the Volkseigene Güer, or VEGs, the state farms, and then wanted to sell the land.

In the early days of unification, the agency started selling agricultural land. But most of the buyers were coming from western Germany. "The east Germans felt they were being colonised. They had no chance to buy land because they had no money. There was terrible tension in the countryside. We decided we had to give the easterners a chance. So we introduced the system of leasing land at preferential rates to the easterners," explains Mr Bammell.

Yet even leasing land posed enormous problems for the Treuhand largely because of property rights.

Under the terms of the unification treaty, former Nazi victims and those whose land was confiscated by the Nazis have full rights of restitution and compensation. These rights also apply to former land owners whose land was confiscated by the communists between 1949 and 1990.

This meant that when the Treuhand wanted to lease land to east (or west) Germans, it had to make sure that there were no outstanding claims on the property. "In some cases, the east Germans complained that they received only short-term contracts of about three years, compared to some west Germans who managed to obtain 12-year contracts," says Mr Bammell. "The problem facing the agency was that it was afraid to extend long contracts in case former property owners had already put in a claim. What could the Treuhand do with an east German long-term leaseholder if a former owner wanted to come back?"

It was often difficult to ascertain who originally owned the land. Take the case of the LPGs. These co-operative farms were created from land expropriated by the former Soviet Union, which ruled East Germany between 1945 and 1949, and from small East German landholders who in 1952 were forced to place their plots in the LPGs. Often, the original land register was closed and a new one opened that stipulated that the LPG was owned by the state.

The Treuhand is now discovering, however, that former owners or their descendants have found the original land registers and are claiming back their land.

"This has inevitably slowed down the whole process of leasing land," says Mr Bammell. "If land has been leased by the Treuhand, even for a short time, and if the former owner could prove legal title to it, the Treuhand can allow the lease to run its full term, but once it has expired it must reimburse the original owner of the rent paid to the agency from the leaseholder".

This sense of uncertainty about who owns land in eastern Germany, and the delay in drawing up watertight contracts, has been compounded by another factor: the former land owners, usually belonging to the Prussian aristocracy, whose land was expropriated by the Soviet administration between 1945 and 1949.

These owners have no right of restitution, but they do have a right to buy back their land, rent it, or, following a law passed last month, receive limited compensation, or buy a certain amount of property in eastern Germany at preferential rates.

"After unification, these former large landowners hesitated about buying back their property and instead leased land in eastern Germany. They were waiting to see what kind of compensation law would be agreed," explains Mr Bammell. But in the process, the privatisation – and investment in east German agriculture – was delayed.

Eastern German farmers, such as Mr Loranz, resent the fact that these former landowners can return and buy or rent land at preferential prices. "But it's not only that which upsets me," he stresses. "These owners have managed to obtain long-term contracts unlike many of east Germans who had to fight hard even to get a short-term lease. And in some cases, they do not even come back to farm the land themselves. It is very unfair."

Even more unfair, according to east German farmers, is the fact that those wishing to buy land in eastern Germany can circumvent outstanding property claims held by eastern Germans if they can prove to the Treuhand that they will invest and create jobs. In which case, a former landowner can only get back the land if he or she can match that investment plan. "The east Germans simply do not have the money to compete with the west Germans," complains Mr Loranz. Ministry officials argue, however, that incentives for investors were a crucial instrument for reviving eastern German agriculture.

In spite of the scale of these problems, the Treuhand is in the process of drawing up 9,000 contracts, which involves leasing 90,000 hectares on short-term contracts and about 788,000 on long-term contracts. "East German agriculture is slowly stablising," says Mr Bammell. "But we have paid a high price for ending the turmoil and creating a propertied class."

MARKET REPORT

Aluminium and zinc touch highs

Base metal prices eased in late trading at the London Metal Exchange but the three months delivery ZINC price, which earlier reached a 20-month high on investment fund buying, was still up $27 a tonne at the close.

Meanwhile ALUMINIUM'S continuing rally lifted it to a fresh 3½-year high of $1,645 a tonne for three months delivery at one point. The move was encouraged by another big fall in LME stocks.

After falling early on COPPER prices ended about $30 a tonne up on balance.

COFFEE futures rose in light volume as the Brazilian weather continued to give cause for concern.

Compiled from Reuters

LME WAREHOUSE STOCKS (As at Monday's close) tonnes

Aluminium	-21,350	to 2,292,750
Aluminium alloy	+100	to 25,580
Copper	-1,425	to 359,375
Lead	-1,450	to 370,325
Nickel	+528	to 144,360
Zinc	-650	to 1,232,900
Tin	-36	to 32,135

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1616-7	1640-1
Previous	1602-3	1627-8
High/low		1645/1631
AM Official	1608-9	1632-3
Kerb close		1639-40
Open int.	249,909	
Total daily turnover	54,769	

■ ALUMINIUM ALLOY ($ per tonne)

	Cash	3 mths
Close	1642-7	1662-5
Previous	1645-55	1665-70
High/low		1665
AM Official	1645-50	1665-70
Kerb close		1662-5
Open int.	3,068	
Total daily turnover	232	

■ LEAD ($ per tonne)

	Cash	3 mths
Close	628-9	642-2.5
Previous	622.5-3.5	636.5-7
High/low		643/636.5
AM Official	621-2	637-7.5
Kerb close		640-1
Open int.	41,228	
Total daily turnover	7,316	

■ NICKEL ($ per tonne)

	Cash	3 mths
Close	6300-10	6405-10
Previous	6320-30	6420-30
High/low		6430/6390
AM Official	6305-10	6410-20
Kerb close		6390-400
Open int.	69,453	
Total daily turnover	11,767	

■ TIN ($ per tonne)

	Cash	3 mths
Close	5345-55	5430-5
Previous	5355-00	5435-40
High/low	5345/5340	5440/5410
AM Official	5340-50	5420-5
Kerb close		5420-5
Open int.	15,837	
Total daily turnover	3,572	

■ ZINC, special high grade ($ per tonne)

	Cash	3 mths
Close	1033.5-4.5	1057-8
Previous	1006.5-7.5	1030-1
High/low		1066/1036
AM Official	1026-6.5	1050-0.5
Kerb close		1057-8
Open int.	99,734	
Total daily turnover	24,484	

■ COPPER, grade A ($ per tonne)

	Cash	3 mths
Close	2507-8	2514-5
Previous	2471.5-2.5	2486-7
High/low	2492/2490	2522/2485
AM Official	2492-3	2499.5-500
Kerb close		2505-6
Open int.	224,698	
Total daily turnover	81,842	

■ LME AM Official £/$ rate: 1.5803

LME Closing £/$ rate: 1.5790

Spot 1.5783 3 mths 1.5767 6 mths 1.5720 9 mths 1.5665

■ HIGH GRADE COPPER (COMEX)

	Close	Day's change	High	Low	Open int	Vol
Oct	117.30	+0.90	117.70	116.80	2,816	587
Nov	115.90	+1.10	116.30	118.30	919	257
Dec	115.35	+0.85	115.95	114.70	38,859	10,684
Jan	114.75	+0.75	115.00	114.20	574	48
Feb	113.25	-0.35	114.10	114.70	438	4
Mar	113.70	+0.55	114.30	113.40	5,910	693
Total					65,431	12,435

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold (Troy oz.)	$ price	£ equiv
Close	392.20-392.60	
Opening	395.50-395.30	
Morning fix	394.10	249.115
Afternoon fix	392.45	248.575
Day's High	395.00-395.50	
Day's Low	391.50-391.90	
Previous close	394.70-395.10	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.57	6 months	4.92
2 months	4.62	12 months	5.27
3 months	4.72		

Silver Fix	p/troy oz.	US cts equiv
Spot	354.75	560.50
3 months	359.70	567.75
6 months	365.40	575.50
1 year	279.85	594.05

Gold Coins	$ price	£ equiv.
Krugerrand	396-399	250-253
Maple Leaf	402.95-405.45	-
New Sovereign	92-95	58-61

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	392.6	-2.2	393.0	391.6	597	235
Nov	394.0	-2.4	-	-	-	-
Dec	395.6	-2.5	398.2	394.3	115,822	33,062
Feb	399.0	-2.5	399.5	398.0	19,809	211
Apr	402.6	-2.5	402.6	402.0	7,063	283
Jun	406.2	-2.5	407.0	405.8	10,236	88
Total					188,367	34,558

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	418.2	-0.6	419.0	417.0	1,005	525
Jan	423.1	-0.5	423.9	421.0	18,091	2,844
Apr	426.6	-0.5	427.5	424.5	2,682	62
Jul	430.1	-0.5	-	-	561	13
Oct	432.6	-0.5	-	-	335	-
Total					22,674	3,444

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Dec	153.65	+0.40	154.00	152.00	5,025	336
Mar	154.85	+0.40	156.00	153.00	1,338	53
Jun	155.75	+0.40	-	-	152	-
Total					6,515	389

■ SILVER COMEX (100 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Open int	Vol.
Oct	559.2	-5.5	561.5	561.5	2	-
Nov	561.5	-5.5	-	-	-	-
Dec	564.0	-5.5	567.0	560.5	95,427	23,221
Jan	566.6	-5.5	-	-	44	1
Mar	572.6	-5.5	575.5	570.0	10,903	613
May	579.1	-5.5	581.0	577.0	4,544	26
Total					124,061	24,135

ENERGY

■ CRUDE OIL NYMEX (42,000 US galls. $/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	18.22	+0.03	18.28	18.11	87,222	39,949
Dec	18.34	+0.05	18.38	18.21	78,669	30,328
Jan	18.36	+0.05	18.40	18.26	49,286	14,669
Feb	18.40	+0.09	18.44	18.33	23,437	3,406
Mar	18.39	+0.08	18.39	18.32	21,976	3,933
Apr	18.38	+0.01	18.34	18.32	15,034	660
Total					419,881	104,066

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	16.94	-0.02	17.05	16.90	81,362	19,251
Dec	17.01	-	17.13	16.96	48,326	8,131
Jan	17.02	-0.01	17.15	16.99	17,639	2,723
Feb	17.01	+0.01	17.13	16.95	8,248	1,024
Mar	16.99	-0.01	17.07	16.99	7,194	1,239
Apr	17.01	+0.01	17.01	17.01	1,774	147
Total					153,048	32,782

■ HEATING OIL NYMEX (42,000 US galls., c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	50.25	+0.01	50.50	50.10	40,364	14,040
Dec	51.35	+0.05	51.50	51.15	43,854	8,435
Jan	52.20	-	52.30	52.05	31,603	1,965
Feb	52.75	+0.05	52.75	52.80	16,362	864
Mar	52.65	+0.20	52.70	52.65	12,618	348
Apr	51.80	+0.10	51.90	51.80	4,433	227
Total					178,825	27,488

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	153.50	-1.00	154.25	153.25	27,499	4,477
Nov	156.00	-1.25	156.75	155.75	22,679	3,748
Dec	158.50	-1.00	159.00	158.00	22,020	1,767
Jan	160.00	-1.50	160.75	160.00	15,327	1,714
Feb	161.00	-1.00	161.25	160.50	5,627	718
Mar	160.75	-1.25	161.50	160.50	5,717	388
Total					107,855	13,126

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	1.703	+0.020	1.714	1.685	29,457	13,612
Dec	1.995	+0.015	2.000	1.980	29,038	2,967
Jan	2.070	+0.014	2.075	2.065	17,059	1,785
Feb	2.000	+0.015	2.005	1.995	14,699	502
Mar	1.950	+0.015	1.955	1.950	11,371	204
Apr	1.910	+0.012	1.910	1.905	8,848	233
Total					151,451	21,388

■ UNLEADED GASOLINE

NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Open int	Vol
Nov	46.85	+0.19	47.00	46.40	29,652	11,253
Dec	55.10	+0.39	55.20	54.60	14,960	5,443
Jan	54.75	+0.46	54.75	54.20	8,830	1,898
Feb	55.00	+0.41	55.00	54.60	4,274	410
Mar	55.64	-	-	-	1,597	273
Apr	59.64	-	-	-	3,226	168
Total					68,380	19,976

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	105.05	+0.50	105.00	104.75	2,174	37
Jan	107.40	+0.70	107.05	107.00	1,931	11
Mar	109.30	+0.50	109.40	109.05	1,330	177
May	111.75	+0.65	111.50	111.50	1,380	60
Jul	113.65	+0.40	-	-	253	-
Nov	98.25	+0.50	-	-	-	-
Total					7,068	285

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	408/6	+0/2	409/4	404/0	46,566	17,295
Mar	417/2	-0/2	418/0	412/6	20,086	5,365
May	395/4	-	397/0	393/0	2,696	1,095
Jul	358/6	-	360/0	357/4	5,786	1,503
Sep	362/0	-2/0	363/6	363/0	125	6
Dec	370/4	-1/0	-	-	81	2
Total					77,528	25,270

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	217/4	-	217/4	215/4	135,123	22,146
Mar	227/2	+0/2	227/4	225/4	48,577	3,873
May	235/2	+0/4	235/4	233/4	19,584	1,566
Jul	240/2	+0/2	240/4	238/6	19,884	2,510
Sep	244/2	+0/2	244/4	243/4	1,422	173
Dec	248/4	+1/0	249/4	248/0	7,507	698
Total					232,380	31,093

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	103.65	+0.20	-	-	448	-
Jan	105.80	+0.15	-	-	390	-
Mar	107.75	-	-	-	125	-
May	109.65	-	-	-	48	-
Sep	94.00	-	-	-	2	-
Nov	95.80	-	-	-	-	-
Total					1,009	-

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	536/0	-2/2	538/0	533/0	78,398	29,601
Jan	546/4	-2/2	548/4	544/0	23,312	6,102
Mar	556/4	-2/0	558/0	554/0	13,448	2,185
May	565/4	-2/0	566/6	563/4	6,964	755
Jul	573/2	-1/6	573/6	570/0	13,314	1,270
Aug	575/6	-0/2	576/4	574/0	369	38
Total					138,833	40,395

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	24.33	-0.36	24.70	24.15	10,522	2,861
Dec	23.52	-0.32	23.80	23.37	38,659	12,388
Jan	23.42	-0.21	23.62	23.28	9,800	1,756
Mar	23.32	-0.09	23.40	23.16	9,633	1,192
May	23.20	-0.04	23.25	23.03	6,578	977
Jul	23.06	-0.05	23.15	22.95	5,295	1,172
Total					83,317	21,000

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	161.4	-0.6	161.8	160.4	5,472	3,207
Dec	163.0	-0.1	163.1	161.6	45,546	9,862
Jan	164.7	-	164.8	163.4	13,651	3,069
Mar	167.6	-	167.8	166.8	12,328	1,085
May	170.5	+0.1	170.7	169.7	6,905	1,116
Jul	174.0	-0.9	174.0	173.0	5,220	668
Total					90,773	18,192

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	150.0	-	-	-	-	-
Mar	105.0	-	-	-	-	-
Apr	223.5	-2.8	225.0	221.0	1,185	97
May	238.0	+0.5	-	-	-	-
Jun	107.5	-	-	-	-	-
Total					1,185	97

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	1736	+7	1750	1725	848	44
Nov	1723	+15	1720	1704	347	68
Dec	1710	+32	1710	1705	-	15
Jan	1668	+23	1668	1640	885	73
Apr	1653	+14	1655	1645	484	19
Jul	1463	+13	1460	1460	109	10
Total					2,503	239

	Close	Prev
BFI	1677	1689

Minor Metals

European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 5,730-5,830 (5,650-5,800). Bismuth: min. 99.99%, tonne lots 3.75-4.00. Cadmium: min. 99.5%, 200-223 (190-210) cents a pound. Cobalt: MB free market, 99.8%, 27.50-28.75 (27.50-28.20); 99.3%, 25.50-26.75 (25.50-25.80). Mercury: min. 99.99%, $ per 76 lb flask, 110-130. Molybdenum: drummed molybdic oxide, 3.80-3.95 (3.60-3.90). Selenium: min 99.5%, 3.35-4.65 (3.35-4.55). Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55 (43-53). Vanadium: min. 98%, cif, 1.35-1.50. Uranium: Nuexco exchange value, 7.10.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	970	-2	972	955	27,427	3,104
Mar	1002	-4	1004	987	37,370	2,704
May	1016	-2	1018	1003	13,108	335
Jul	1029	-3	1030	1017	5,903	53
Sep	1041	-2	1043	1031	9,898	158
Dec	1059	-	1057	1057	8,089	200
Total					105,730	6,564

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	1306	+4	1319	1285	36,426	7,983
Mar	1359	+3	1373	1348	17,212	1,606
May	1389	+3	1400	1374	8,531	516
Jul	1420	+1	1422	1408	2,898	37
Sep	1447	+1	1445	1445	1,304	-
Dec	1469	+1	1470	1455	4,983	2
Total					74,851	10,156

■ COCOA (ICCO) (SDR's/tonne)

	Price	Prev. day
Oct. 3 Daily	1004.42	1012.81

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	3924	+73	3935	3860	10,446	1,268
Jan	3877	+49	3900	3840	14,626	855
Mar	3779	+31	3792	3755	7,542	383
May	3740	+30	3752	3716	2,433	148
Jul	3715	+27	3710	3705	1,253	10
Sep	3645	+10	-	-	23	-
Total					36,523	2,662

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	214.15	+4.55	214.95	210.70	20,848	5,351
Mar	218.55	+4.85	219.50	214.90	9,510	1,633
May	220.25	+4.90	220.45	216.50	3,787	276
Jul	222.00	+5.75	222.00	218.60	1,251	220
Sep	222.50	+6.00	222.50	221.50	583	86
Dec	223.25	+6.00	-	-	774	141
Total					36,003	7,779

■ COFFEE (ICO) (US cents/pound)

Oct. 3	Price	Prev. day
Comp. daily	196.65	198.93
15 day average	203.51	204.00

■ No7 PREMIUM RAW SUGAR LCE (cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Jan	11.82	-	-	-	-	-
Mar	12.58	-0.08	-	-	90	-
May	12.78	-	-	-	-	-
Total					90	-

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Open int	Vol
Dec	328.50	-2.80	331.00	329.00	3,771	64
Mar	328.80	-2.40	331.00	328.60	7,669	408
May	326.40	-2.60	329.80	329.00	1,334	85
Aug	326.20	-2.70	330.10	330.10	1,272	20
Oct	312.50	-1.40	312.40	312.40	391	10
Dec	311.40	-1.40	-	-	4	-
Total					14,600	587

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Mar	12.42	-0.10	12.49	12.41	101,799	8,517
May	12.47	-0.07	12.49	12.45	16,876	1,587
Jul	12.35	-0.07	12.39	12.35	11,138	249
Oct	12.10	-0.03	12.15	12.09	9,098	365
Mar	11.75	+0.02	11.77	11.73	1,302	229
May	11.75	+0.02	-	-	0	-
Total					140,227	10,218

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	66.17	-0.23	67.00	66.35	231	19
Dec	66.47	-0.47	66.90	66.30	27,489	3,320
Mar	68.25	-0.47	68.65	68.11	10,981	868
May	69.45	-0.52	69.85	69.40	5,968	259
Jul	70.45	-0.48	70.85	70.31	3,900	54
Oct	68.60	-0.20	68.70	68.60	501	39
Total					50,869	4,543

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Nov	92.00	-2.35	95.15	91.90	9,800	858
Jan	95.20	-2.55	98.50	95.00	6,232	641
Mar	99.50	-1.50	101.50	99.00	4,750	171
May	102.55	-1.95	103.75	102.30	1,090	32
Jul	105.55	-2.15	-	-	618	1
Sep	108.05	-2.20	111.25	111.25	198	-
Total					23,169	1,703

VOLUME DATA

Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME and CSCE are one day in arrears.

INDICES

■ REUTERS (Base: 18/9/31=100)

Oct 4	Oct 3	month ago	year ago
2083.8	2077.4	2083.2	1577.4

■ CRB Futures (Base: 1967=100)

Oct 3	Sep 30	month ago	year ago
231.04	229.85	-	216.89

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	67.950	-0.575	68.525	67.900	18,182	6,565
Dec	68.700	-0.200	69.100	68.550	23,183	5,140
Feb	67.900	-0.075	68.125	67.725	14,700	1,895
Apr	68.675	-0.150	68.950	68.625	9,572	577
Jun	65.550	-0.100	65.775	65.425	2,454	410
Aug	65.125	-0.225	65.350	64.950	1,161	58
Total					69,408	14,658

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Oct	35.200	-1.050	36.500	35.075	5,415	1,690
Dec	35.950	-0.400	36.650	35.650	14,470	1,928
Feb	37.225	-0.075	37.650	36.975	5,396	1,087
Apr	36.875	-0.325	37.450	36.800	3,091	460
Jun	42.400	-0.300	42.650	42.200	1,436	122
Aug	41.975	+0.025	42.100	41.850	209	35
Total					30,404	5,364

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Open int	Vol
Feb	39.275	+0.450	39.450	38.575	7,802	1,235
Mar	38.350	+0.450	39.400	38.600	740	131
May	40.300	+0.400	40.600	39.800	227	15
Jul	41.200	+0.300	41.400	40.600	225	5
Aug	39.950	+0.300	39.850	39.450	47	2
Total					8,849	1,387

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Nov	Feb	Nov	Feb
1600	53	96	22	51
1625	38	83	32	62
1650	27	71	46	75
■ COPPER (Grade A) LME	Nov	Feb	Nov	Feb
2500	55	100	53	101
2550	34	79	82	128
2600	20	61	117	159
■ COFFEE LCE	Nov	Jan	Nov	Jan
3600	331	407	7	130
3650	285	375	12	148
3700	243	345	19	168
■ COCOA LCE	Dec	Mar	Dec	Mar
975	34	83	39	56
1000	25	70	55	68
1050	12	51	92	99
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
1650	65	65	12	39
1700	30	67	26	55
1750	12	47	58	85

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel/Nov)

		+or-
Dubai	$15.81-5.88t	-0.030
Brent Blend (dated)	$16.66-6.68	-0.175
Brent Blend (Nov)	$16.95-6.97t	-0.115
W.T.I. (1pm est)	$18.20-8.22t	-0.085

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$171-174	
Gas Oil	$155-157	-1.5
Heavy Fuel Oil	$78-81	+1.0
Naphtha	$181-162‡	-2.0
Jet fuel	$181-182	
Diesel	$156-159	-2.0

Petroleum Argus. Tel. London (071) 359 8792

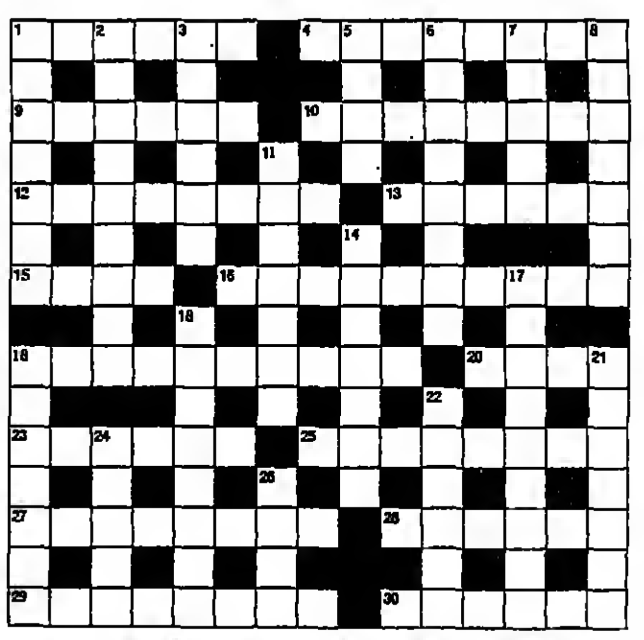
■ OTHER

Gold (per troy oz)♣	$392.40	-2.50
Silver (per troy oz)♣	559.5c	-5.0
Platinum (per troy oz.)	$418.25	+2.75
Palladium (per troy oz.)	$152.50	+1.00
Copper (US prod.)	121.0c	+2.0
Lead (US prod.)	38.75c	
Tin (Kuala Lumpur)	13.61c	+0.08
Tin (New York)	250.5c	
Cattle (live weight)†	115.84p	-0.04*
Sheep (live weight)†♠	88.70p	+0.97*
Pigs (live weight)	75.66p	-0.11*
Lon. day sugar (raw)	$309.80	+2.80
Lon. day sugar (wte)	$338.00	+1.80
Tate & Lyle export	£308.00	+1.00
Barley (Eng. feed)	Unq.	
Maize (US No3 Yellow)	$136.0	
Wheat (US Dark North)	$180.0	
Rubber (Nov)♥	93.00p	
Rubber (Dec)♥	92.50p	
Rubber (KL RSS No1 Jul)	349.0m	+1.0
Coconut Oil (Phil)§	$620.0u	-15.0
Palm Oil (Malay.)§	$605.0v	-10.0
Copra (Phil)§	$406.0u	-7.0
Soyabeans (US)	£154.0v	
Cotton Outlook'A' Index	73.40c	-0.30
Wooltops (64s Super)	453p	

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. y July/Sep. z Aug. v Nov/Dec. u Oct/Nov. t Nov v Aug/Oct. ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. ♠ Sheep (Live weight prices) * Change on week ⊕ Prices are for previous day. ‡Amendment to Naphtha for 3/10/94 $163-164.

CROSSWORD

No.8,576 Set by ADAMANT



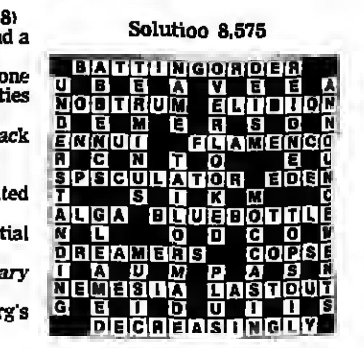
ACROSS

1 Lower standing of socialite as egghead (6)
4 High pitched voice, loud at first with solid content (8)
9 Gifted but volatile mover (6)
10 Relative left to get out and pick it up? (8)
12 Stock issue (8)
13 The CIA's involved in diplomats' failure (6)
15 Bear out final on-target earnings (4)
16 One who needs a lift along the way (10)
19 Second attempt to break the back with new imbibed poison (10)
20 Cuts out the tail piece (4)
23 Over a short period the coach trails a cloud (6)
25 Food from China contains mostly blood red oranges as starters (8)
27 Game that is crystal clear (8)
28 Makes a lot of dough – send a thousand over (6)
29 Writing speeches for someone who is good at giving parties (8)
30 Order the child to come back on the shuttle? (6)

DOWN

1 Missing money could be cited if out of circulation (7)
2 Flat county – trite potential (9)
3 Component for a stationary car? (6)
5 In the fashion of Schoenberg's First, unfortunately (4)
6 It makes for a heated atmosphere to insult the peacemakers inside (8)
7 The volunteers left us a bone (5)
8 Excel or go al fresco (7)
11 Ingenuous in Edward to come up in challenging mood (7)
14 Retrenchment of business in money difficulties (7)
17 Gives up cake to get the body working (4-5)
18 He takes up residence for a month bringing in a copper pot (8)
19 It could hit a bad snag! (7)
21 Opposing points in characteristic passage (7)
22 Manage to be around on one part of Indonesia (6)
24 Aggressive world leader embraced the child (5)
26 Principal ocean (4)

Solution 8,575



JOTTER PAD

LONDON STOCK EXCHANGE

MARKET REPORT

Shares rally but trading volume remains poor

By Terry Byland,
UK Stock Market Editor

An improvement in British government bond prices helped the UK stock market to struggle above the Footsie 3,000 mark again yesterday, but traders described the rally as unconvincing. Trading volume was poor after stripping out one large buy-back operation in the regional electricity stocks and the market closed off the top as Wall Street made a slow start to the new session.

At the close the FT-SE 100-share Index was 18.3 ahead at 3,001.8, largely on the back of firm stock index future and gilt-edged sectors. With the Dow Industrial Average a shade off in London hours and other European hourses mixed, there was little spirit in the UK equity market in the second half of the session.

One reason for the market's lack of enthusiasm came from the merchant banking sector, when Hambros followed S.G. Warburg by warning that profits for the first half of the year would show a heavy fall. It was the turn of the smaller merchant bank stocks to suffer yesterday. Warburg steadied from the savage losses of the previous day.

Also weak were shares in the car component manufacturers after Ford UK disclosed that its two largest British factories are to go on short-time working as both home and export markets disappoint the company'a hopes. The news outweighed any benefits from more favourable comments on trading by car manufacturers in continental Europe, including Volkswagen and Opel, General Motor's German operation.

There was a setback across the privatised water stocks in the wake of warnings from the annual conference of Britain's opposition Labour party that if returned to power it would take a "tough, rigorous" line on public control.

The market received a tonic early in the session with a 21.6m-share buy-back from Midlands Electricity. The proceeds of around £154m were believed to have been pnt back, via the broking houses, to the other regional alectricity stocks, lifting the sector and providing a boost to the market's confidence as well as to its liquidity.

Without the boost from the Midlands deals, trading volume would have been nearly 6 per cent down – the day's total Seaq figure of 528.7m shares compared with 521.1m in the previous session. Monday's retail business was worth £1.14bn, still a profitable level for the larger securities firms but well below bull market levels.

However, non-Footsie business remained low yesterday at about 55 per cent of the day's total. The dearth of activity in the smaller stocks restricted the performance to a 5.7 gain at 3,455.3 in the FT-SE Mid 250 Index, which covers a wide range of Footsie and non-Footsie shares. Dwindling turnover, especially in the smaller-capitalisation stocks, which are often favoured by private investors, has begun to hurt some stockbroking firms.

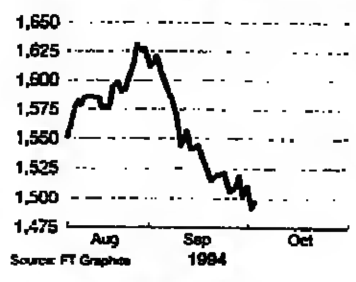
Analysts continued to see the UK stock market as being in a nervous mood as it waits for further evidence of the upward pressures on global interest rates.

The disclosure of a 0.6 per cent rise in US leading economic indicators for August appeared to show that the US economy is continuing to recover fairly strongly, and turned attention again on to the prospects that the Federal Reserve may tighten policy soon.

Such tensions will increase later this week as the London market waits for the latest payroll and unemployment statistics from the US, and braces itself for next week's list of important data on the domestic economy.

There was little sign yesterday of the genuine recovery of confidence and trading volume needed if the UK market is to stage the advance in the final quarter of the year which has been predicted by many equity analysts.

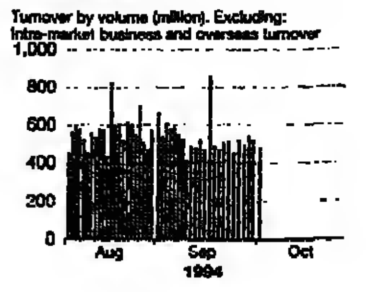
FT-SE-A All-Share Index



Source: FT Graphite

Equity Shares Traded

Turnover by volume (million). Excluding: Intra-market business and overseas turnover



■ Key Indicators

Indices and ratios

FT-SE 100	3001.8	+18.3	FT Ordinary Index	2325.8	+5.5
FT-SE Mid 250	3455.3	+5.7	FT-SE-A Non Fins p/a	18.43	(18.35)
FT-SE-A 350	1507.9	+7.7	FT-SE100 Fut Dec	3019.0	+26.0
FT-SE-A All-Share	1497.44	+6.61	10 yr Gilt yield	8.96	(8.89)
FT-SE-A All-Share yield	4.02	(4.03)	Long gilt/equity yld ratio:	2.23	(2.22)

Best performing sectors

1 Electricity .... +2.2
2 Insurance .... +1.8
3 Life Assurance .... +1.4
4 Diversified Inds .... +1.3
5 Pharmaceuticals .... +1.1

Worst performing sectors

1 Engineering, Vehicles .... -3.7
2 Merchant Banks .... -2.1
3 Media .... -1.1
4 Water .... -1.1
5 Household Goods .... -0.7

Buy-back lifts recs

Cazenove, the stockbroker, moved swiftly to implament Midlands Electricity's buy-back programme, purchasing 21.2m shares at 725p apiece in a deal identical to that carried out some weeks ago by Northern Electricity. Cazenove had to move sharply to buy the shares ahead of Midlands' "closed" period which commences tomorrow. Turnover in Midlands reached 46m shares.

Midlands' buy-back involved its broker buying in stock from institutions and selling other recs back to them in a deal involving a tax credit for the stock sold.

Midlands shares moved ahead 13 to 714p as its buy-back was completed, while other recs raced higher as Cazenove bought in Midlands stock and sold back other recs shares.

The institutions chased those stocks which have permission to buy in shares but have not yet done so ahead of their respactive closed periods. These included East Midlands, which forged ahead 25 to 713p, and is entitled to buy in 21.9m shares ahead of its closed period due to start in the middle of this month; and Eastern, which can buy up to 38.4m shares until October 12. Eastern advanced 20 to 727p. Yorkshire, 19½ stronger at 710p, and Southern, 27 highar at 721p, were other recs entitled to buy in stock but yet to do so. Yorkshire can buy up to 20m shares and Southern's limit is 27.2m.

Media hit

Newspaper groups came under pressure as this year's advertising spending forecasts were revised downwards.

The industry'a umbrella organisation, the Advertising Association, now believes that spending for publicity in national newspapers will rise only 8 per cent in 1994 against a previous forecast of 10 per cent. It said regional newspaper ad-spend would increase by 7.5 per cent compared with a previous forecast of 9.5 per cent.

S.G. Warburg pointed out the figures to clients, and Telegraph shares fell 7 to 323p while Express parent United Newspapers ahed 4 to 488p. News International slipped 13 to 233p and Pearson, which owns the Financial Times and the Westminster Press regional newspaper group, saw an early 12 gain eroded, leaving the stock only a penny firmer on the day at 600p.

The latest grim news from a hard hit merchant bank sector spilled over to Reuters Holdings. The international news and financial information group is the higgest supplier of dealing screens and even Mr Brian Newman, the long-term enthusiast from agency broker Henderson Crosthwaite, was discussing the impact to the company of losses suffered by its key clients.

Dealers added that a sell order in the morning had been clumsily handled. The combination of technical and fundamental factors saw the shares slide 15 to 452p in spite of news that the company has announced UK price rises of up to 5 per cent effective from January 1.

News of short-time working at Ford Motor put the motor component suppliers into a spin and even managed to cast a shadow over British Steel, one of the stock market's more easily identified defensive shares.

Turner & Nawall was singled out for most of the day's punishment, tumbling 17 to 206p following Ford's decision to cut production at its two biggest plants through October. GKN fell 12 to 601p on 1.8m traded.

The depression spread right across the sector. BBA lost 5 at 178p, Avon Rubber shed 11 to 570p and Lucas Industries receded 11 to 181p, although with the last-mentioned the impending interim results – due on Monday and expected to contain restructuring provisions of up to £50m – helped to heighten the tension.

The consensus among analysts was that the downswing was an overreaction, with Ford's move seen largely as stock adjustment ahead of what is essentially a low selling final quarter.

With the exception of British Steel – down 3½ at 164½p after 12m turnover - trading volume was mostly light.

The gloom surrounding financial stocks associated with bond and equity trading teams deepened as Hambros, the merchant bank, followed S.G. Warburg in warning of a steep decline in interim profits. Hambros said its bond business had suffered a major deterioration.

Bank analysts immediately hacked their current year profits estimates, which were reduced by around £35m. Hambros shares finished 26 cheaper at 225p.

BT made good progress, the shares closing 3½ firmer at 363½p as NatWest Securities described the stock as a "sound selection in a nervous stock market" and moved its recommendation from "hold" to "add".

NatWest pointed ont BT's consistent underperformance over the last four quarters and said technical pressure associated with the final instalment had been removed. "The interims on November 11 should prodnce encouraging call volume statistics and we are forecasting a 6.3 per cent increase in the dividend to 7.07p," said NatWest.

British Aerospace confirmed that it is in discussions regarding a possible recommended offer for VSEL, which gained 18 at 1195p. Bae dipped 3 to 439p on the announcement.

An upbeat trading statement from contract catering company Compass Group helped the shares rise 8 to 327p. The company begins a round of analysts meetings today and researchers said they would wait to see the company before upgrading profits expectations.

Vendome closed 11 ahead at 505p, with UBS said to have issued a buy recommendation on the stock.

Anglo-Dutch group Unilever appreciated 13 to 1125p as the company held a series of one-to-one meetings with analysts for an update on current trading.

Third-quarter trading was said to have shown good progress, with the hot summer having boosted sales of soft drinks and ice-cream in the UK. The company is Europe's biggest ice cream manufacturer. Analysts also suggested that the economic recovery in the rest of Europe should boost earnings next year.

Kleinwort Benson urged investors to buy the stock, as did Strauss Turnbull, which said: "There is scope for a rerating to move the stock on to a market p/e."

US buying lifted selected pharmaceuticals stocks. Glaxo improved 10½ to 583p and Wellcome 9 to 663p.

MARKET REPORTERS:
Steve Thompson,
Peter John, Joel Kibazo,
Jeffrey Brown.

■ Other statistics, Page 23

NEW HIGHS AND LOWS FOR 1994

NEW HIGHS (11).
BREWERIES (1) Wetherspoon (JD), DISTRIBUTORS (1) Faber Prest, EXTRACTIVE INDS (3) INVESTMENT TRUSTS (1) LEISURE & HOTELS (1) Northern, SUPPORT SERVS (1) Manpower, TEXTILES & APPAREL (1) Wensum, TRANSPORT (1) GRT Bus, AMERICANS (1) Loew's.
NEW LOWS (159).
GILTS (8) BUILDING & CNSTRN (9) BB & EA, Baris, Bellway, Boot (H), Crest Nichol 5¾pc Pf, EBC, McAlpine (A), Raine, Taylor Woodrow, BLDG MATLS & MCHTS (7) Anglian, Cape, Hewitt, Quiligotti, Ruberoid, Titon, Wickes, CHEMICALS (4) Camerons, Do Wrts., Laporte, Manders, DISTRIBUTORS (4) Cowie, Harrier, Lex Service, Wills, DIVERSIFIED INDLS (4) Cannon Street Invs., Pacific Dunlop, Suter, Suter Wrts., ELECTRICITY (1) Scott. Power, ELECTRNC & ELECT EQUP (2) Bowthorpe, Process Systems, ENGINEERING (14) Aero, Hamble, Alvis, Billam (J), Brit. Aero. 7.75p Prf., David Brown, Glynwed Intl., Hunting, Morgan Crucible 7¾pc Prf., Rosspur, Senior, Smiths Inds., Vernon Intl., Victaulic, Whatman, ENG. VEHICLES (2) BSG Intl., Motor World, EXTRACTIVE INDS (1) Monarch, FOOD MANUF (1) Bols Wessanen, HEALTH CARE (3) AAH, Greenacre, Scholl, HOUSEHOLD GOODS (1) Reckitt & Colman, INSURANCE (9) Archer, CLM, Finsbury Underwriting, Heath (CE), JIB, London Ins. Mkt., Lowndes Lambert, Steel Burrill Jones, Syndicate Cap., INVESTMENT TRUSTS (13) INVESTMENT COMPANIES (2) LEISURE & HOTELS (3) Hi-Tec, Kunick Prf., Millwall, MEDIA (3) Lopex, News Corp., Portsmouth & Sunderland, MERCHANT BANKS (6) OIL EXPLORATION & PROD (1) Command, OTHER FINANCIAL (9) Aberdeen Trust, BWD, Exco, King & Shaxson, Oceana, Secure Trust, Smith New Court, Do Cnv. Prf., Union, OTHER SERVS & BUSNS (2) Card, Platignum, PRTNG, PAPER & PACKG (9) API, Bemrose, Brit. Thornton, Cradley, Ferguson Intl., Parkside Intl., Rysu, Sidlaw, PROPERTY (16) RETAILERS, FOOD (1) Merchant Retail, RETAILERS, GENERAL (7) Argos, Fine Art Dev., Flying Flowers, Nottingham, Pentos, Tie Rack, Upton & Southern, SUPPORT SERVS (4) Automated Sec., BSM, Dudley Jenkins, Mays, TELECOMMUNICATIONS (2) Cable & Wireless, Do 7pc Cnv. 2008, TEXTILES & APPAREL (6) Alexandra Workwear, Atkins, Fil, Helene, Lamont, Readicut, AMERICANS (9).

EQUITY FUTURES AND OPTIONS TRADING

Stock index futures recovered strongly after the previous session'a steep setback, but activity was low and the uptrend lacked conviction, *writes Jeffrey Brown.*

Traders said the market was in drift mode, uncertain of direction. Dealing volume was flat, slipping to just 10,383 contracts, against 15,099 on Monday.

In the event, the FT-SE 100 December contract closed 26 points stronger at 3019.0 after touching a high of 3023.0 at stage.

At these levels the premium to the cash market was 17.2 points, with the fair value premium standing at 14.4 points.

Turnover was very thin, with only a number of modest runs by locals – independent traders – to occasionally enliven the proceedings.

Traders said that many houses were keeping their books very tight following Monday's shock profits warning from S.G. Warburg.

News of bad derivatives experience at the top securities house weighed heavily on sentiment and was cited as a major reason for the day's low activity.

Turnover in traded options also fell, declining to 23,427 lots from 35,586 in the previous session. FT-SE and Euro FT-SE volume accounted for 9,628 contracts.

HSBC was the most actively traded individual stock option with 2,194 lots dealt.

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	2997.0	3018.0	+26.0	3023.0	2997.0	11132	52840
Mar	3036.5	3043.5	+26.5	3036.5	3036.5	40	2169

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec		3479.0	+11.0			0	4043

■ FT-SE MID 250 INDEX FUTURES (OMLX) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	3479.0	-	-	-	-	0

All open interest figures are for previous day. † Exact volume shown.

■ FT-SE 100 INDEX OPTION (LIFFE) (*3001) £10 per full index point

	2850 C	2850 P	2900 C	2900 P	2950 C	2950 P	3000 C	3000 P	3050 C	3050 P	3100 C	3100 P	3150 C	3150 P	3200 C	3200 P
Oct	186½	9	124½	14	84½	25	52	44½	28½	70½	14	107	6	150½	2½	188
Nov	191½	25	153	36	115½	49½	86	70½	60	95½	40	128	26½	163½	18	205
Dec	203½	38½	169½	53	137½	70½	114	92½	83	117	62	145½	44	178½	30	215½
Jan	230½	54	195	67	163½	85	134	105	106½	128	85	157½	63½	187½	50	223½
Jun†			260½	105			200½	143			152	195			169½	254½

Calls 4,771 Puts 3,134

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	2825 C	2825 P	2875 C	2875 P	2925 C	2925 P	2975 C	2975 P	3025 C	3025 P	3075 C	3075 P	3125 C	3125 P	3175 C	3175 P
Oct	188½	7	143	11½	100	18½	64½	32½	38½	58½	20½	88½	10½	127½	4	171½
Nov	208½	19	168	29	132½	42½	100½	60½	73½	82½	51	109½	33½	141½	20½	178½
Dec	226	34½	188½	46	154½	61½	123½	80	96	102	73½	128½	54	158½	38½	190½
Mar	270½	57½			202	86½			144½	126½			98	177½		
Jun†	312½	81			248	112½			191	151			141	197		

Calls 1,545 Puts 165 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

■ EURO STYLE FT-SE MID 250 INDEX OPTION (OMLX) £10 per full index point

	3450 C	3450 P	3500 C	3500 P	3550 C	3550 P	3600	3650	3700	3750	3800
Oct	141½	83½	115	108½	92½	133					

Calls 0 Puts 0 Settlement prices and volumes are taken at 4.30pm.

TRADING VOLUME

■ **Major Stocks Yesterday**

	Vol. 000s	Closing price	Day's change
3i†	874	321	+½
ASDA Group†	2,100	63	+½
Abbey National†	3,700	398	+3
Albert Fisher	2,000	45	
Allied Domecq†	423	606	+4
Anglian Water	1,100	518	-8
Argos	134	315	-1
Argyll Group†	2,000	271	+1
Arjo Wiggins†	1,400	257	+1
Assoc. Brit. Foods†	178	507	-2
Assoc. Brit. Ports	462	262	-2
BAA†	1,800	473	+4
BAT Inds.†	3,000	423½	+1½
BET	3,400	102½	+2
BICC	2,000	354	+9
BOC†	151	690	+3
BP†	8,800	404½	+5
BPB Inds.	1,400	307	+5
BT†	9,800	363½	+3½
BTR†	5,300	308½	+8
Bank of Scotland†	1,400	208	
Barclays†	1,900	565	+4
Bass†	994	518	+5
Blue Circle†	2,400	286	+8
Booker	487	413	+4
Boots†	1,100	518	-1
Bowater†	731	486	+2
Brit. Aerospace†	1,400	439	-3
British Airways†	1,100	356½	+3
British Gas†	3,300	296	-½
British Land	178	383	
British Steel†	12,000	164½	-3½
Bunzl	5,500	169	-2
Burmah Castrol†	206	860	+9
Burton	156	68¾	+¼
Cable & Wire†	6,700	389	-2
Cadbury Schweppes†	780	448	+3
Caradon†	1,800	287	+3
Carlton Comms.†	291	835	-2
Coats Viyella	972	203	+3
Comm. Union†	2,000	494	+13
Cookson	180	238	+2
Courtaulds†	1,800	436	+1
Dalgety	30	434	+1
De La Rue†	353	927	+7
Dixons	395	178	
Eastern Elect.†	1,300	727	+20
East Midland Elect.	1,200	713	+25
Electrocomps	374	449	+8
Eng China Clays	735	347	-1
Enterprise Oil†	2,100	382	+6
Eurotunnel Units	172	257	+7
FKI	86	164½	
Fisons	665	111	
Foreign & Col. I.T.	1,800	138½	+1½
Forte†	2,200	226	+2
Gen. Accident†	230	536	+7
General Elec.†	2,300	285½	-1
Glaxo†	3,200	583	+10½
Glynwed	385	322½	-2½
Granada†	1,400	508	-2
Grand Met.†	1,500	405	+3
GUS†	1,700	572	+5
GRE†	1,800	181	+6
GKN†	1,800	601	-12
Guinness†	1,800	457½	+4½
HSBC (75p shs)†	2,200	682	+1
Hammerson	86	315	+4
Hanson†	8,200	232	+2½
Harrisons Crosfield	591	163	+3
Hays	1,200	281	+1
Hillsdown	1,400	174	+1
IMI	2,700	288	-3
ICI†	2,600	815	-7
Inchcape†	1,000	418	+1
Johnson Matthey	318	536	-3
Kingfisher†	380	483	-1
Kwik Save	183	548	-1
Ladbroke†	1,800	134	+2
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

FT - SE Actuaries Share Indices — The UK Series

	Oct 4	Day's chge%	Oct 3	Sep 30	Sep 29	Year ago	Div. yield%	Earn. yield%	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3001.8	+0.6	2983.5	3026.3	2982.5	3085.2	4.21	7.24	16.30	105.74	1137.08
FT-SE Mid 250	3455.3	+0.2	3449.6	3494.8	3504.0	3457.7	3.61	5.84	20.37	103.70	1288.29
FT-SE Mid 250 ex Inv Trusts	3448.1	+0.1	3441.9	3489.2	3501.6	3466.1	3.78	6.44	18.84	107.68	1282.04
FT-SE-A 350	1507.9	+0.6	1500.2	1521.4	1508.2	1540.8	4.07	6.94	17.07	51.33	1166.18
FT-SE SmallCap	1795.39	-0.4	1802.35	1814.20	1819.13	1776.17	3.29	4.87	25.79	45.68	1394.17
FT-SE SmallCap ex Inv Trusts	1765.94	-0.5	1774.07	1785.64	1791.11	1769.80	3.49	5.41	23.55	47.07	1375.17
FT-SE-A ALL-SHARE	1497.44	+0.4	1490.83	1510.97	1500.09	1526.43	4.02	6.79	17.50	50.07	1179.90

■ FT-SE Actuaries All-Share

	Oct 4	Day's chge%	Oct 3	Sep 30	Sep 29	Year ago	Div. yield%	Earn yield%	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(18)	2668.27	+1.0	2642.00	2650.47	2621.08	2341.00	3.45	5.13	24.66	61.42	1073.90
12 Extractive Industries(4)	3844.26	+0.7	3915.78	3958.35	3983.60	3120.20	3.25	5.20	23.81	96.24	1066.29
15 Oil, Integrated(3)	2607.87	+1.1	2578.71	2581.84	2540.61	2301.50	3.62	5.77	21.59	85.60	1072.53
16 Oil Exploration & Prod(11)	1904.34	+0.3	1898.43	1811.50	1904.78	1610.70	2.18	‡	‡	38.03	1101.82
20 GEN MANUFACTURERS(267)	1860.06	....	1858.38	1880.70	1874.86	1922.00	4.09	6.16	23.36	63.89	949.48
21 Building & Construction(33)	1024.06	-0.4	1027.70	1038.22	1046.05	1164.40	3.84	5.32	24.82	32.32	804.07
22 Building Matls & Merchs(32)	1818.20	+0.3	1612.32	1826.92	1824.50	1875.60	4.06	5.08	24.01	61.63	856.66
23 Chemicals(23)	2312.42	-0.3	2318.97	2341.69	2345.92	2198.70	4.01	4.43	28.32	79.25	1026.01
24 Diversified Industrials(16)	1791.92	+1.3	1768.78	1785.90	1772.79	1990.80	5.14	6.22	23.00	62.46	618.28
25 Electronic & Elect Equip(34)	1879.06	+0.1	1876.98	1901.06	1899.94	2210.70	4.01	6.71	17.75	57.50	918.96
26 Engineering(71)	1782.22	+0.7	1793.93	1818.14	1812.15	1690.50	3.19	4.99	23.68	48.95	1019.37
27 Engineering, Vehicles(12)	2198.98	-3.7	2283.61	2305.35	2280.88	1874.80	4.55	2.79	48.98	73.39	1066.48
28 Printing, Paper & Pckg(26)	2792.80	+0.1	2790.79	2818.14	2787.19	2452.00	3.07	5.36	21.60	73.24	1100.05
29 Textiles & Apparel(20)	1580.96	+0.2	1577.88	1587.71	1587.31	1884.70	4.25	7.01	17.47	48.49	883.72
30 CONSUMER GOODS(97)	2690.87	+0.7	2672.04	2702.29	2673.17	2744.20	4.42	7.46	15.50	105.25	929.37
31 Breweries(17)	2143.29	+0.3	2137.42	2156.43	2158.49	2054.10	4.41	7.89	15.21	81.10	880.14
32 Spirits, Wines & Ciders(10)	2780.74	+0.7	2760.22	2790.05	2762.62	2716.70	4.01	6.98	16.47	100.95	935.87
33 Food Manufacturers(23)	2274.31	+0.6	2261.32	2277.65	2271.64	2289.40	4.26	7.72	15.07	78.18	956.70
34 Household Goods(13)	2288.85	+0.7	2304.67	2322.86	2309.86	2602.60	3.37	7.89	14.98	57.31	817.63
36 Health Care(21)	1583.39	....	1583.34	1598.45	1612.38	1715.40	3.16	3.37	41.74	46.47	921.46
37 Pharmaceuticals(12)	2980.56	+1.1	2946.97	2975.43	2932.58	3087.40	4.42	7.16	18.12	125.16	953.66
38 Tobacco(1)	3569.56	+0.4	3556.97	3661.84	3536.00	3609.20	6.06	8.63	11.16	217.07	614.24
40 SERVICES(220)	1875.44	+0.1	1873.14	1880.75	1876.36	1897.90	3.30	6.46	18.57	48.22	921.00
41 Distributors(30)	2476.81	-0.2	2479.91	2511.51	2521.43	2683.70	3.79	7.40	15.99	68.23	856.47
42 Leisure & Hotels(25)	2046.07	+0.6	2034.71	2045.85	2046.26	1934.60	3.42	4.86	24.22	53.89	1009.70
43 Media(39)	2768.15	-1.1	2797.89	2809.20	2786.74	2534.90	2.51	5.43	21.43	68.90	962.96
44 Retailers, Food(16)	1722.47	+0.6	1709.15	1723.83	1697.27	1750.30	3.76	9.24	13.37	51.58	1001.26
45 Retailers, General(45)	1603.05	+0.2	1599.09	1613.53	1603.61	1681.40	3.26	6.74	18.39	38.51	855.43
48 Support Services(41)	1467.25	+0.6	1458.97	1476.78	1485.18	1641.70	2.87	6.58	17.92	32.01	892.09
49 Transport(16)	2185.00	+0.3	2178.62	2224.16	2176.49	2284.70	3.85	5.80	20.00	59.28	858.05
51 Other Services & Business(8)	1251.88	-0.2	1254.07	1257.23	1283.89	1245.30	3.74	2.34	75.37	25.82	1075.47
60 UTILITIES(36)	2298.04	+0.7	2283.11	2341.17	2325.66	2390.40	4.58	8.17	14.89	73.42	885.20
62 Electricity(17)	2379.13	+2.2	2326.87	2424.44	2403.31	2066.20	3.85	10.34	11.54	83.46	989.39
64 Gas Distribution(2)	1959.63	-0.2	1962.70	1977.48	1923.48	2179.20	6.11	‡	‡	68.79	895.56
66 Telecommunications(4)	1907.26	+0.2	1902.56	1929.94	1927.97	2183.90	4.33	8.25	14.79	60.22	813.34
68 Water(13)	1766.06	-1.1	1784.96	1854.76	1861.21	1878.80	6.50	13.40	6.14	89.35	882.84
69 NON-FINANCIALS(636)	1621.20	+0.4	1614.47	1634.38	1622.20	1634.71	3.98	6.61	18.43	52.66	1147.31
70 FINANCIALS(104)	2087.71	+0.8	2075.13	2118.62	2103.93	2283.20	4.83	9.45	12.27	86.66	829.82
71 Banks(10)	2733.42	+0.5	2719.21	2758.89	2736.44	2800.80	4.41	10.48	10.92	114.94	821.40
73 Insurance(17)	1182.59	+1.6	1162.10	1201.80	1185.23	1507.70	5.72	10.00	11.43	54.20	811.85
74 Life Assurance(6)	2271.71	+1.4	2239.94	2292.45	2256.67	2755.30	5.63	8.43	14.37	127.82	879.18
75 Merchant Banks(6)	2563.02	-2.1	2617.27	2617.33	2842.21	3106.30	4.05	12.89	9.03	87.76	773.63
77 Other Financial(24)	1782.30	+0.3	1776.59	1809.50	1813.27	1801.90	4.06	8.80	13.55	63.16	955.80
79 Property(41)	1446.25	+0.2	1443.44	1467.28	1470.94	1627.50	4.18	4.34	29.13	40.03	827.53
80 INVESTMENT TRUSTS(124)	2736.73	+0.4	2727.12	2750.39	2742.89	2603.20	2.25	1.97	51.26	53.41	920.38
89 FT-SE-A ALL-SHARE(866)	1497.44	+0.4	1490.83	1610.97	1500.09	1526.43	4.02	6.79	17.50	50.07	1179.90

■ Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	2989.6	3000.4	3000.0	2998.4	2996.4	2995.0	2995.9	2997.6	3001.8	3003.4	2989.6
FT-SE Mid 250	3449.0	3456.3	3454.4	3456.9	3451.9	3454.1	3452.5	3452.8	3455.3	3457.1	3449.0
FT-SE-A 350	1502.6	1507.5	1507.1	1506.7	1505.5	1505.2	1505.3	1506.0	1507.8	1508.6	1502.6

Time of FT-SE 100 Day's high: 10.05am Day's low: 8.30am. FT-SE 100 1994 High: 3520.3 (2/2) Low: 2876.6 (24/6).

■ FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	960.0	960.4	959.9	959.9	958.6	959.0	960.3	960.7	961.2	961.2	960.9	+0.3
Pharmaceuticls	2932.5	2952.0	2953.5	2948.5	2945.7	2946.6	2947.3	2947.2	2952.1	2954.7	2921.9	+33.4
Water	1771.5	1784.0	1793.6	1798.6	1758.1	1766.7	1765.6	1764.6	1764.9	1762.6	1781.7	-19.1
Banks	2763.5	2773.6	2769.2	2767.1	2764.5	2759.9	2760.3	2765.4	2767.9	2767.3	2752.9	+14.4

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues. Lists of constituents are available from The Financial Times Limited, One Southwark Bridge, London SE1 9HL. The FT-SE Actuaries Share Indices Service, which covers a range of electronic and paper-based products relating to these indices, is available from FINSTAT, Fitzroy House, 13-17 Epworth Street, London EC2A 4DL. The FT-SE 100, the FT-SE Mid 250, FT-SE Actuaries 350 and the FT-SE Actuaries Industry baskets are calculated by the International Stock Exchange of the United Kingdom and Republic of Ireland and the FT-SE Actuaries All-Share Index is compiled by The Financial Times Limited, both in conjunction with the Institute of Actuaries and the Faculty of Actuaries under a standard set of ground rules. The FT "500" has been renamed FT-SE-A Non-Financials Index. "FT-SE" and "Footsie" are joint trade marks and service marks of the London Stock Exchange and The Financial Times Limited. The FT-SE Actuaries Share Indices are audited by The WM Company. † Sector P/E ratios greater than 80 are not shown. ‡ Values are negative.

LONDON EQUITIES

LIFFE EQUITY OPTIONS

Option		Calls Oct	Calls Jan	Calls Apr	Puts Oct	Puts Jan	Puts Apr
Allied Domecq	540	33½	-	-	3½	-	-
(*567)	580	8	-	-	25½	-	-
Argyll	260	16	23½	30½	4	12½	17
(*270)	280	6	13½	20½	14	23	28
[illegible]							
Cadbury Sch	420	35½	46	51	4½	9½	16½
(*445)	460	11	23	28½	22	27½	37
Eastern Elec	700	48½	57	82½	17	30	41
(*726)	750	23½	41½	56½	42	55	64½
Guinness	420	47½	57	63	3½	7	13½
(*458)	460	17½	30	37	15½	22	30
GEC	280	16½	20	26½	6½	12	14½
(*285)	300	6	11	16½	18½	23	25½

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
Hanson	220	18	21	24	3½	8	10½
(*232)	240	8½	11	14½	12½	18½	20½
Lasmo	134	20	-	-	3	-	-
(*149)	154	7½	-	-	11½	-	-
[illegible]							
Reuters	450	14	-	-	11	-	-
(*452)	462	9	-	-	18	-	-
Rolls-Royce	160	22½	27	30	2	5½	8½
(*177)	180	8½	10	16½	8	13½	17½

* Underlying security price. Premiums shown are based on closing offer prices.
October 4, Total contracts: 23,391 Calls: 14,850 Puts: 8,541

FT GOLD MINES INDEX

	Oct 3	% chg on day	Sep 30	Sep 29	Year ago	Gross div yield %	52 week High	52 week Low
Gold Mines Index (34)	2283.00	-1.3	2334.26	2332.49	1673.93	1.57	2367.40	1673.83
■ Regional Indices								
Africa (16)	3553.60	-0.5	3569.62	3582.30	2295.88	3.84	3823.28	2295.88
Australasia (7)	2921.83	-0.2	2926.39	2866.35	1924.76	1.66	3013.89	1924.78
North America (11)	1827.71	-2.1	1867.83	1882.64	1459.45	0.73	2039.65	1458.45

Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. Predecessor Gold Mines Index: Oct 4: 290.8 ; day's change: +0.8 points; Year ago: 182.6 † Partial.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	30	33	7
Other Fixed Interest	2	0	13
Mineral Extraction	41	82	73
General Manufacturers	87	206	337
Consumer Goods	44	46	87
Services	61	143	293
Utilities	15	21	5
Financials	70	130	166
Investment Trusts	75	77	313
Others	20	63	22
Totals	459	801	1326

Data based on those companies listed on the London Share Service.

TRADITIONAL OPTIONS

First Dealings	September 26	Expiry	December 29
Last Dealings	October 7	Settlement	January 13

Calls: Alexon Cnv, Alliance Res, Cons Murchison, Microvitec, Tullow Oil, Vivat.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m.)	1994 High	1994 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§125	F.P.	17.7	130	118	Compel	118	-3	WN4.0	2.1	4.3	11.2
-	F.P.	1.30	1½	1	Cont'l Foods Wts	1¼		-	-	-	-
-	F.P.	26.0	66	61	Emerging Mkts C	65		-	-	-	-
63	F.P.	12.4	68	65	Ennemix	68		RN0.71	5.3	1.3	8.5
112	F.P.	21.4	120	118	Independent Parts	120		LN4.0	2.1	4.2	14.5
180	F.P.	17.9	195	180	Mackie Intl	186	+5	RN6.0	2.2	4.0	7.6
80	F.P.	24.1	85	76	Ryland	85		LN3.5	1.7	5.1	14.0
-	F.P.	3.62	44	27	Suter Wts 98/04	31	-1	-	-	-	-
-	F.P.	113.8	379	368	Templeton E New	368	-½	-	-	-	-
-	F.P.	12.1	212	192	Do. Wts. 2004	195	-½	-	-	-	-
-	F.P.	198.6	360	340	Wrexham Water	340	-10	-	-	-	-
-	F.P.	33.2	330	325	Do. NV	325	-5	-	-	-	-

RIGHTS OFFERS

Issue price p	Amount paid up	Latest Renun. date	1994 High	1994 Low	Stock	Closing price p	+or-
160	Nil	17/10	6pm	2pm	Jermyn Inv.	2pm	
500	Nil	18/10	52pm	24pm	Reckitt & Colman	26pm	-3
245	Nil	9/11	24pm	12pm	Unichem	12pm	
75	Nil	14/11	5pm	4pm	World of Leather	4pm	

FINANCIAL TIMES EQUITY INDICES

	Oct 4	Oct 3	Sep 30	Sep 29	Sep 28	Yr ago	*High	*Low
Ordinary Share	2325.8	2320.3	2350.1	2323.8	2356.5	2345.8	2713.6	2240.6
Ord. div. yield	4.42	4.43	4.38	4.43	4.36	3.98	4.46	3.43
Earn. yld. % full	8.39	6.40	6.33	6.39	6.29	4.66	6.40	3.62
P/E ratio net	17.49	17.46	17.67	17.49	17.55	27.30	33.43	16.94
P/E ratio nil	17.53	17.50	17.70	17.52	17.81	25.19	30.80	17.09

*For 1994. Ordinary Share Index since compilation: high 2713.6 2/02/94; low 49.4 26/6/40
FT Ordinary Share Index base date 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2325.9	2332.5	2329.4	2327.2	2325.4	2323.3	2324.5	2324.1	2323.8	2333.1	2322.7

	Oct 4	Oct 3	Sep 30	Sep 29	Sep 28	Yr ago
SEAQ bargains	22,879	23,301	23,904	23,236	24,463	31,429
Equity turnover (£m)†	-	1138.9	1123.4	1442.8	1565.4	1333.7
Equity bargains†	-	25,436	26,768	27,001	27,672	35,092
Shares traded (ml)†	-	485.2	480.4	529.4	496.6	628.5

†Excluding intra-market business and overseas turnover.

LONDON SHARE SERVICE

BANKS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
ABN Amro Fl	□	£20⅞	-⅛	£25⅛	£20⅞	8,213	8.4	φ
ANZ A$		182	-4	278¾	179¾	2,422	5.1	27.8
Abbey National	†N□	399xd	+3	523	380½	5,090	3.0	13.0
Allied Irish I£	♣†N□	239xd	+4	274	233	1,390	5.3	6.2
Anglo Irish I£	MN□	60	—	*70	50	169.3	7.8	10.0
Asahi Y	□	699	-8¼	819¼	628	10,223	6.6	φ
Banco Bil Viz Pta	□	£15⅝	—	£18⅞	£14⅛	3,649	5.4	6.9
Banco Sant Pta		£28⅞	-⅛	*£30⅛	£23⅜	4,279	5.1	9.9
Bk Ireland I£	♣□	258	—	*319	246	1,289	4.0	7.0
Bank Scotland	♣N□	206	—	247	172½	2,404	3.1	16.8
9¼pc Pf		111	-¼	147½	111	111.0	10.4	-
9¾pc Pf		116½	-½	148½	116	116.5	10.5	-
Barclays	♣†N□	583xd	+4	640	487	9,185	3.7	10.8
Dai Ichi Kan Y	□	£11⅞	-⅛	£12⅞	£10⅞	36,249	0.5	-
Deutsche DM	□	£273⅞	+1⅞	£344¼	£270⅞	13,027	2.5	-
Espirito Santo	□	£8⅛	—	*£13⅛	£8⅛	199.3	4.4	4.4
First Nat Fin	N□	89	—	*99	80	116.5	2.7	-
6.3pc Cv Pf		74	—	*90	74	4.98	10.6	-
7pc Cv Pf		131	—	171	123	62.2	8.7	-
Fuji Bank Y	□	1397¾	-8¼	1549¼	1152½	38,753	0.4	φ
HSBC HK	†N□	709xd	+3	1133	680	12,302	4.4	10.2
HSBC (75p Stg)	†N□	652xd	+1	1113	680	5,893	4.5	9.9
Lloyds	†N□	547xd	+7	660	519	7,089	5.3	10.8
Mitsubishi Y	□	£15⅝	-⅛	£18⅞	£15⅞	45,020	0.3	φ
Mits Tst & Bk Y	□	927¼	-15	1162¼	687½	11,116	0.5	14.7
Mitsui Tst & Bk Y	□	724½	+¼	879	514	8,680	6.7	24.4
Nat Aust A$	†	483	-19	620¼	479	6,465	5.7	10.3
NatWest	†N□	477xd	-2	622	421	7,942	5.1	8.9
Ottomane FFr		£22¼	—	£33	£21¼	111.2	6.5	φ
Ryl Bk Scotland	♣†N□	403	-2	528	377½	3,228	3.7	10.2
Sakura Y	□	£9⅞	—	£9⅞	£8⅞	28,985	0.7	50.2
Sanwa Y	□	£12⅞	-⅛	£15⅜	£11⅞	36,498	0.8	-
Standard Chartd	†N□	254xd	+4	*359¼	233	2,440	3.1	8.7
7 3/8pc Pf		82¼	-½	108½	82¼	82.8	11.1	-
Sumitomo Y	□	£11⅞	-⅛	218¼	£11½	81,125	0.5	25.2

CHEMICALS

	Notes	Price	+ or -
AGA Skr	□	85¼	-⅛
Akzo Fl	□	£74⅞	+⅞
Allied Colloids	♣N□	121½	-½
Amber Ind	N	780	—
BASF DM	□	£124⅞	+4⅞
BOC	♣N□	699	+3
BTP	♣N□	284	—
Bayer DM	□	£139⅞	+1⅛
Brent	N□	117½	—
British Vita	†N□	220xd	—
Cambridge Iso 8		1N	—
Canning (W)	♣N□	184	-2
Cemeridone	♣N	55xd	-2
Warrants		18	-1
Courtaulds	N□	498	+1
Croda	†N□	354xd	+1
Doeflex	♣N	130	+7
Engelhard $		£17⅞	—
European Colour	♣N□	56½	-½
Gibbon Lyons	♣N	139	—
Hickson	♣N□	197xd	+1
Hoechst DM	□	£138½	+2⅞
Holliday Chemical	†♣N□	212	-8
ICI	N□	815	-7
Inspec	□	210xd	—
Kalon	♣†N□	198	—
Laporte	♣†N□	694xd	-1
MTM	♣□	86xd	—
Manders	N□	313xd	-6
McLeod Russel	N□	114	-1
Metrotect Inds	♣N□	102	—
Perstorp Skr	□	£22⅞	+⅛
Porvair	♣†N	295xd	—
Scapa	♣N□	278	-1
Sutcliffe Speak	♣N□	21	—

BREWERIES

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

FOOD MANUFACTURERS

GAS DISTRIBUTION

HEALTH CARE

HEALTH CARE - Cont.

HOUSEHOLD GOODS

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

[illegible]

OTHER INVESTMENT TRUSTS

[illegible]

INVESTMENT COMPANIES

[illegible]

LEISURE & HOTELS

[illegible]

LEISURE & HOTELS - Cont.

[illegible]

LIFE ASSURANCE

[illegible]

MEDIA

[illegible]

MERCHANT BANKS

[illegible]

OIL EXPLORATION & PRODUCTION

[illegible]

OIL EXPLORATION & PRODUCTION - Cont.

[illegible]

OIL, INTEGRATED

[illegible]

OTHER FINANCIAL

[illegible]

OTHER SERVICES & BUSINESSES

[illegible]

PHARMACEUTICALS

[illegible]

PRINTING, PAPER & PACKAGING

[illegible]

PROPERTY

[illegible]

PROPERTY - Cont.

[illegible]

RETAILERS, FOOD

[illegible]

RETAILERS, GENERAL

[illegible]

RETAILERS, GENERAL - Cont.

[illegible]

SPIRITS, WINES & CIDERS

[illegible]

SUPPORT SERVICES

[illegible]

TELECOMMUNICATIONS

[illegible]

TEXTILES & APPAREL

[illegible]

TOBACCO

[illegible]

TRANSPORT

[illegible]

TRANSPORT - Cont.

[illegible]

WATER

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

SOUTH AFRICANS

	Notes	Price	+ or -	1994 high	1994 low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£29¾	—	£30	£13½	1,906	2.5	21.4
Barlow	Z	£4⅛	—	£5⅛	£3⅛	868.4	0.7	-
Gold Flds Prop R		118xd	—	128	75	12.1	7.8	Φ
NK Props	Z	90	+5	95	85	3.62	13.2	Φ
SASOL	♥	496	—	500	280	2,820	2.8	-
SA Brews		311⅞	—	£15⅞	£10	3,289	2.3	19.4
Tiger Oats	†	813	—	898	538	921.8	2.8	12.8
Tongaat-Hulett	b	602	—	*616½	358¼	548.7	2.1	16.0

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel Financial, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges of par value, convertibles converted and warrants exercised if dilution occurs.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Φ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) UK & Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield includes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings.
v Not subject to ACT.
z Dividend yield includes a special payment
F Yield based on prospectus or other official estimates for 1994-95.
S Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1994
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
B Figures based on IMR 'Headline Earnings'
P Figures based on prospectus or other official estimates for 1994
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

[illegible]

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (✠) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

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OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Grs
Baillie Gifford & Co Ltd				
Int'l Exempt Aug 31	758.7	784.6	—	0.96
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071-214 1050 (general enquiries)		071-214 1004 (dealing)		
Charitable Funds				
UK Growth & Income	56.41	57.38	—	3.3
Income Plus	47.30	[illegible]	—	7.0
CAF – Charity Money Management				
40 Pembury Rd, Tonbridge TN9 2JD		0732 770114		
Balanced Growth	70.54	72.42	—	4.28
Income	56.07	[illegible]	—	[illegible]
CBI Unit Trust Managers Ltd				
Cent. Bd. of Fin. of Church of England‡				
2 Fore Street, London EC2Y 5AQ		071-588 1815		
Chargeguard UK Equity Fd/Fixed Int Fd				
Charinco/Charishare‡ (1000)F				
33 King William Street, EC4R 9AS		071-280 2800		
COIF–Charities Official Inv Fd‡				
2 Fore Street, London EC2Y 5AQ		071-588 1815		
Deposit Account: see Money Market Trust Funds				
Charity Fixed Int Fd/Charity Equity Fd				

INSURANCES

FT MANAGED FUNDS SERVICE

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Scottish Provident Group - Contd.

Pension Funds	Bid Price	Offer Price	+ or -	Yield Gross
With-Profits Ord	216.5	227.9		-
Managed Ord	323.6	340.6	-0.6	-
Blue Chip Ord	144.8	152.5	-0.3	-
Equity Ord	338.3	384.1	-0.8	-
International Ord	358.6	376.7	-0.1	-
Property Ord	302.2	318.2		-
Fixed Interest Ord	288.1	303.3	+0.7	-
Index-linked Ord	191.0	201.2	-0.5	-
Cash Ord	267.5	278.8	—	-
Building Society Ord	198.2	208.7		-
Americas Performance Ord	192.5	202.7	-0.9	-
Europe Performance Ord	120.3	126.7	-0.3	-
Far East Performance Ord	167.3	182.7		-
Worldwide Performance Ord	167.3	176.2	-0.3	-

Scottish Provident Assurance Ltd Funds (Formerly Prolific Life & Pensions Ltd)

Life Funds	Bid Price	Offer Price	+ or -	Yield Gross
Adventurous Mngd	198.8	211.5	-0.4	-
Balanced Gwth Mngd	780.1	829.9	-1.0	-
Cautious Mngd	142.4	151.5	-0.1	-
Fixed Interest	435.4	458.9	-0.4	-
Gilt Fund 20	457.2	481.2	-0.8	-
Equity	923.9	982.9	-1.7	-
International	420.1	447.0	-0.7	-
Property	287.2	302.7	—	-
Cash	337.9	358.1		-
Special Situations	612.6	651.8	-3.5	-
High Income	673.1	716.1	+0.6	-
Extra Income	362.3	385.5	-0.2	-
Convertible & Gilt	174.2	185.4		-
Pref & Fixed Interest	119.0	126.7	-0.2	-
Recovery	137.8	146.0	-0.2	-
UK Blue Chip	132.5	139.7	-0.1	-
American Income	203.9	217.0	-1.0	-
North American	524.7	558.2	-1.7	-
Far Eastern	634.3	674.8	+0.6	-
European	140.9	149.5	+0.4	-
Technology	517.0	550.7	-2.7	-
Equity Income Dist	113.7	119.8	-0.1	4.90
Managed Dist	107.0	113.4	+0.1	5.59
High Yield Dist	98.1	103.4	+0.1	6.98

Pension Funds	Bid Price	Offer Price	+ or -	Yield Gross
With-Profits Acc	216.6	228.0	-0.1	-
Adventurous Managed Acc	218.2	229.7		-
Balanced Growth Mngd Acc	828.3	872.2	-1.5	-
Cautious Managed Acc	168.4	177.3	+0.2	-
Fixed Interest Acc	705.1	742.3	-0.7	-
Equity Acc	1231.1	1295.9	-2.6	-
International Acc	405.9	427.3	-0.2	-
Property Acc	378.3	398.7		-
Managed Cash Acc	188.8	198.7	—	-
Building Soc. Acc	398.0	410.0		-
Special Situations Acc	517.4	544.7	-2.9	-
High Income Acc	772.4	813.1		-

Swiss Life (UK) PLC

101 London Rd, Sevenoaks 0732 450161

Group Pension Funds

TSB Life Ltd

Charlton Pl, Andover, Hants. SP10 1RE 0264 346678

TSB Pensions Ltd.

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Pension	1049.9	1105.1	-1.0	-
Deposit Pension	232.0	244.3	—	-

Target Life Assurance Co Ltd

The Exchange, 80 High St, Aylesbury, Bucks HP20 1RE 0296 394000

Life Funds

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

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LUXEMBOURG (REGULATED)(**)

OTHER OFFSHORE FUNDS

CURRENCIES AND MONEY

MARKETS REPORT

D-Mark bounces back

The D-Mark was generally firmer on foreign exchanges yesterday despite continued anxiety ahead of German national elections later this month, *writes Philip Gawith.*

A measure of support for the German currency was also provided by Mr Hans Tietmeyer, the Bundesbank president, who told the IMF annual meeting in Madrid that it would be a mistake to follow a policy of "forced monetary easing."

Activity in the markets was generally very subdued, with the key concern being what news Friday's US employment report will offer on inflation and the outlook for US interest rates. The market had little in the way of figures, policy developments or statements to focus on.

There was little follow-through buying of the dollar following the weekend trade agreement between the US and Japan. Analysts are sceptical about what effect the agreement will have on the trade surplus. The US currency traded in a narrow range, closing in London at DM1.5519 from DM1.5573, and Y99.69 from Y99.82.

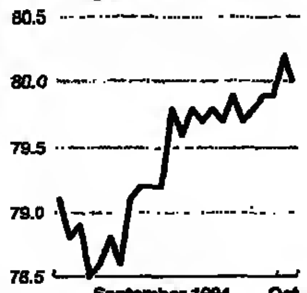
Sterling lost some ground, with the trade weighted index closing at 80 from 80.2. Given the pound's recent strength, some analysts said this was a temporary correction which should be seen as a buying opportunity.

■ The dollar's inability to profit from the trade agreement has been taken by the market as confirmation that its fortunes remain shackled to those of the US bond market. Following the strong purchasing managers index released on Monday, there is renewed concern about inflation in the US economy, with bonds and the dollar unlikely to prosper against this backdrop.

Traders are again worried about whether the employment report, and inflation figures due next week, will prompt the Fed to raise interest rates for a sixth time this year. But the minutes released last week of the August Fed meeting, which was a prelude to a 50 basis point rise in interest rates, suggest this fear may be groundless.

Sterling

Trade-weighted index, 1985=100



Source: Datastream

■ Pound in New York

Oct 4	Latest	Prev. close
£ spot	1.5783	1.5790
1 mth	1.5777	1.5783
3 mth	1.5768	1.5774
1 yr	1.5623	1.5628

Mr Steve Hannah, head of research at IBJ International in London, said the minutes gave the impression the Fed felt it had done enough for no further tightening to be required for a number of months. "Unless the FOMC changed its mind at its last meeting, the next tightening may be some way off," said Mr Hannah.

Yesterday evening the dollar received support from the influential investor, Mr George Soros. He told Reuters in an interview that he saw scope for the yen correcting to around Y115-120 per dollar. He said both Japan and the US had an interest in this taking place.

Mr Soros's comments followed recent reports that he, and fellow hedge fund manager, Mr Paul Tudor Jones, had built up large dollar positions at around Y98.5, in anticipation of a trade agreement supporting the dollar.

Mr Avinash Persaud, currency strategist at JP Morgan in London, commented: "The dollar's failure to make a sustained breach through $1.56 and Y99.75, despite the falling risk environment (with the trade agreement, and risks surrounding the German election) was an important signal that the dollar did not the support to move higher."

■ Opinion remains split about the extent to which sterling has decoupled from the dollar. Mr Persaud said there was "ample evidence that the market is viewing UK assets more favourably after the rate rise."

But although the pound responded positively to the monetary tightening, Mr Hannah said it would probably be caught in the cross-fire should the dollar weaken further on inflation fears.

He said, however, that if sterling broke through DM2.45, it had the potential to make significant headway. "But nobody seems willing to back that bet with significant flows," said Mr Hannah.

■ The Swedish crown performed well after local exporters bought the currency. It closed in London at SKr4.765 from SKr4.836. Analysts said that while the market had greeted the new government warmly, there was a longer term risk of conflict between the reconstituted board of the Riksbank, and the governor.

■ In the UK money markets the Bank of England provided £619m assistance, compared to a £600m shortage. Overnight money traded between 2 and 6¼ per cent.

Activity in the futures markets was subdued, though short sterling contracts picked up a few ticks across the board. The December contract closed at 93.20 from 93.19.

Mr Richard Phillips, analyst at brokers GNI, said the markets were trendless and difficult, leaving investors nervous. He said recent economic news, such as reports of falling house prices and car manufacturer Ford moving to shorter working hours, hardly justified the pessimism at the short end of the yield curve. The December contract is discounting short term rates 100 basis points higher than where they are presently.

But despite the value offered, "the problem is that people just don't have the confidence to buy the market."

■ OTHER CURRENCIES

Oct 4	£	$
Hungary	171.861 - 171.873	108.770 - 108.870
Iran	2753.00 - 2758.00	1748.00 - 1750.00
Kuwait	0.4692 - 0.4700	0.2973 - 0.2981
Poland	36530.0 - 36581.1	23210.0 - 23235.0
Russia	4230.40 - 4254.05	2680.00 - 2695.00
U.A.E.	5.7894 - 5.8010	3.6715 - 3.6733

POUND SPOT FORWARD AGAINST THE POUND

Oct 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	17.2343	-0.0598	276 - 410	17.2737	17.2214	17.23	0.3	17.2181	0.4	-	-	114.9
Belgium	(BFr)	50.3763	-0.1513	604 - 921	50.4360	50.3290	50.3963	-0.5	50.3113	0.5	49.9813	0.8	118.8
Denmark	(DKr)	9.5883	-0.0367	852 - 914	9.6118	9.8782	9.5862	0.3	9.5896	-0.5	9.6038	-0.2	116.6
Finland	(FM)	7.5820	-0.0627	735 - 905	7.6510	7.5730	-	-	-	-	-	-	87.5
France	(FFr)	8.3637	-0.0186	616 - 658	8.3785	8.3523	8.3646	-0.1	8.3572	0.3	8.2815	1.0	110.2
Germany	(DM)	2.4495	-0.0079	487 - 503	2.4556	2.4467	2.4483	0.6	2.4448	0.8	2.411	1.6	129.7
Greece	(Dr)	373.148	-1.448	008 - 284	374.159	372.993	-	-	-	-	-	-	-
Ireland	(I£)	1.0114	-0.0004	109 - 118	1.0123	1.0091	1.0113	0.1	1.0116	-0.1	1.0138	-0.2	105.4
Italy	(L)	2469.49	-0.87	830 - 067	2471.10	2465.63	2475.29	-2.8	2486.54	-2.6	2526.09	-2.4	75.3
Luxembourg	(LFr)	50.3763	-0.1513	604 - 921	50.4360	50.3290	50.3963	-0.5	50.3113	0.5	49.9813	0.8	116.6
Netherlands	(Fl)	2.7433	-0.008	424 - 441	2.7463	2.7405	2.7424	0.4	2.7382	0.7	2.7017	1.5	120.6
Norway	(NKr)	10.6719	-0.0573	686 - 752	10.7295	10.6651	10.6714	0.1	10.6749	-0.1	10.6759	0.0	96.0
Portugal	(Es)	249.553	-0.718	435 - 671	251.331	249.421	251.283	-8.3	254.463	-7.9	-	-	-
Spain	(Pta)	202.839	-0.424	736 - 942	203.203	202.702	203.189	-2.1	203.844	-2.0	205.954	-1.5	85.9
Sweden	(SKr)	11.6786	-0.1383	700 - 871	11.8265	11.6644	11.6976	-2.0	11.7451	-2.3	11.9585	-2.4	75.9
Switzerland	(SFr)	2.0354	-0.0076	343 - 365	2.0410	2.0340	2.0325	1.7	2.0265	1.7	1.9841	2.5	122.6
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	80.0
Ecu	-	1.2802	-0.0035	797 - 806	1.2821	1.2790	1.28	0.1	1.2801	0.0	1.274	0.5	-
SDR†	-	0.926844	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5756	-0.002	752 - 759	1.5801	1.5750	-	-	-	-	-	-	-
Brazil	(R)	1.3401	-0.0058	383 - 419	1.3480	1.3380	-	-	-	-	-	-	-
Canada	(C$)	2.1219	-0.0013	211 - 226	2.1260	2.1205	2.1208	0.6	2.1185	0.6	2.1055	0.8	86.0
Mexico	(New Peso)	5.3770	+0.0189	722 - 818	5.3849	5.3718	-	-	-	-	-	-	-
USA	($)	1.5785	+0.0005	782 - 787	1.5822	1.5777	1.5778	0.5	1.5768	0.4	1.562	1.0	62.3
Pacific/Middle East/Africa													
Australia	(A$)	2.1361	+0.0065	353 - 368	2.1432	2.1289	2.136	0.0	2.1374	-0.2	2.1558	-0.8	-
Hong Kong	(HK$)	12.1876	+0.004	852 - 999	12.2258	12.1917	12.1837	0.4	12.1926	0.2	12.1997	0.0	-
India	(Rs)	49.5180	+0.0151	081 - 278	49.6300	49.4960	-	-	-	-	-	-	-
Japan	(Y)	157.358	-0.18	283 - 428	157.480	156.620	156.896	3.5	155.901	3.7	150.316	4.5	187.5
Malaysia	(M$)	4.0481	-0.0014	470 - 492	4.0579	4.0468	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.6176	-0.0008	155 - 195	2.6226	2.6129	2.6209	-1.6	2.6287	-1.6	2.6509	-1.3	-
Philippines	(Peso)	40.4873	-0.365	019 - 726	40.5910	40.3865	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.9217	+0.0014	203 - 230	5.9351	5.9182	-	-	-	-	-	-	-
Singapore	(S$)	2.3378	-0.004	362 - 377	2.3432	2.3361	-	-	-	-	-	-	-
S Africa (Com.)	(R)	5.6379	-0.0078	358 - 399	5.6558	5.6256	-	-	-	-	-	-	-
S Africa (Fin.)	(R)	6.6611	-0.077	442 - 779	6.7068	6.6173	-	-	-	-	-	-	-
South Korea	(Won)	1263.63	+3.29	335 - 391	1268.55	1260.43	-	-	-	-	-	-	-
Taiwan	(T$)	41.3091	-0.0459	936 - 225	41.3959	41.2930	-	-	-	-	-	-	-
Thailand	(Bt)	39.4929	-0.0044	708 - 149	39.5640	39.4700	-	-	-	-	-	-	-

†SDR rates for Oct 3. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1985 = 100.Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Oct 4		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.8185	-0.041	160 - 210	10.9320	10.9055	10.9185	0.0	10.9183	0.0	10.8435	0.7	104.7
Belgium	(BFr)	31.9150	-0.105	100 - 200	31.9500	31.8700	31.915	0.0	31.925	-0.1	31.985	-0.2	105.8
Denmark	(DKr)	6.0745	-0.025	735 - 755	6.0933	6.0660	6.0792	-0.9	6.0905	-1.1	6.1557	-1.3	104.8
Finland	(FM)	4.8035	-0.0411	988 - 081	4.8490	4.7968	4.8035	0.0	4.8025	0.1	4.836	-0.7	81.6
France	(FFr)	5.2987	-0.0134	982 - 992	5.3060	5.2897	5.3004	-0.4	5.3001	-0.1	5.3019	-0.1	106.4
Germany	(D)	1.5519	-0.0054	516 - 521	1.5553	1.5485	1.552	-0.1	1.5505	0.3	1.5436	0.5	106.5
Greece	(Dr)	236.400	-0.985	350 - 450	236.690	236.320	236.7	-1.5	237.275	-1.5	239.775	-1.4	68.7
Ireland	(I£)	1.5608	+0.0012	603 - 612	1.5659	1.5569	1.5605	0.2	1.5589	0.4	1.5406	1.3	-
Italy	(L)	1564.50	-1	400 - 500	1565.00	1558.80	1568.85	-3.3	1577	-3.2	1618.5	-3.5	75.8
Luxembourg	(LFr)	31.9150	-0.105	100 - 200	31.9500	31.8700	31.915	0.0	31.925	-0.1	31.985	-0.2	105.6
Netherlands	(Fl)	1.7380	-0.0055	377 - 382	1.7398	1.7355	1.7381	0.0	1.7366	0.3	1.7297	0.6	105.4
Norway	(NKr)	6.7610	-0.0388	600 - 620	6.7964	6.7455	6.766	-0.9	6.7865	-1.5	6.855	-1.4	95.6
Portugal	(Es)	158.100	-0.5	050 - 150	158.950	157.900	158.745	-4.9	159.97	-4.7	164.7	-4.2	95.0
Spain	(Pta)	128.505	-0.305	460 - 550	128.740	128.350	128.78	-2.6	129.28	-2.4	131.855	-2.6	80.8
Sweden	(SKr)	7.3988	-0.0897	945 - 030	7.4927	7.3877	7.4141	-2.5	7.4458	-2.5	7.6288	-3.1	80.5
Switzerland	(SFr)	1.2895	-0.0052	890 - 900	1.2930	1.2881	1.2883	1.2	1.2852	1.3	1.2703	1.5	107.9
UK	(£)	1.5785	+0.0005	782 - 787	1.5822	1.5777	1.5778	0.5	1.5768	0.4	1.562	1.0	88.6
Ecu	-	1.2331	+0.0038	328 - 333	1.2343	1.2314	1.2324	0.7	1.2317	0.4	1.2261	0.6	-
SDR†	-	1.45978	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9982	-0.0018	981 - 982	0.9983	0.9981	-	-	-	-	-	-	-
Brazil	(R)	0.8490	-0.004	480 - 500	0.8520	0.8480	-	-	-	-	-	-	-
Canada	(C$)	1.3443	-0.0012	440 - 445	1.3448	1.3427	1.3444	0.0	1.3438	0.1	1.3498	-0.4	84.5
Mexico	(New Peso)	3.4065	+0.011	040 - 090	3.4090	3.4030	3.4075	-0.4	3.4093	-0.3	3.4167	-0.3	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	95.8
Pacific/Middle East/Africa													
Australia	(A$)	1.3533	+0.0037	530 - 535	1.3569	1.3490	1.3536	-0.2	1.3543	-0.3	1.3616	-0.6	87.0
Hong Kong	(HK$)	7.7276	+0.0003	273 - 278	7.7279	7.7272	7.7273	0.8	7.7282	0.0	7.7431	-0.2	-
India	(Rs)	31.3713	+0.0025	700 - 725	31.3725	31.3675	31.4563	-3.3	31.6013	-2.9	-	-	-
Japan	(Y)	99.6900	-0.13	600 - 200	99.7400	99.1700	99.44	3.0	98.87	3.3	96.235	3.5	148.9
Malaysia	(M$)	2.5648	-0.0018	643 - 640	2.5685	2.5640	2.5654	4.3	2.5441	3.2	2.6176	-2.1	-
New Zealand	(NZ$)	1.6580	-0.001	573 - 586	1.6600	1.6558	1.659	-0.7	1.6608	-0.7	1.6661	-0.5	-
Philippines	(Peso)	25.6500	-0.25	000 - 000	25.7500	25.6000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7518	-0.0002	513 - 518	3.7518	3.7513	3.7529	-0.4	3.757	-0.6	3.7756	-0.8	-
Singapore	(S$)	1.4806	-0.0029	803 - 808	1.4826	1.4803	1.4792	1.1	1.4773	0.9	1.4708	0.7	-
S Africa (Com.)	(R)	3.5718	-0.006	710 - 725	3.5778	3.5695	3.5873	-5.2	3.6156	-4.9	3.6923	-3.4	-
S Africa (Fin.)	(R)	4.2200	-0.05	100 - 300	4.2450	4.1850	4.2537	-9.6	4.3125	-8.8	-	-	-
South Korea	(Won)	800.550	+1.85	500 - 600	800.900	798.600	803.55	-4.5	807.05	-3.2	825.65	-3.1	-
Taiwan	(T$)	26.1700	-0.037	650 - 750	26.2005	26.1650	26.18	+0.9	26.23	-0.9	-	-	-
Thailand	(Bt)	25.0200	-0.01	100 - 300	25.0300	25.0100	25.0925	-3.5	25.22	-3.2	25.7	-2.7	-

†SDR rate for Oct 3. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Oct 3. Base average 1990=100

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Oct 4		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	19.04	16.60	4.862	2.007	4902	5.446	21.18	495.3	402.6	23.17	4.040	1.985	4.211	3.135	312.3	2.541
Denmark	(DKr)	52.53	10	8.722	2.554	1.054	2575	2.861	11.13	260.2	211.5	12.17	2.122	1.043	2.212	1.647	164.1	1.335
France	(FFr)	60.23	11.46	10	2.928	1.209	2952	3.280	12.76	298.3	242.5	13.95	2.433	1.196	2.536	1.888	188.1	1.531
Germany	(DM)	20.57	3.916	3.415	1	0.413	1008	1.120	4.357	101.8	82.81	4.765	0.831	0.408	0.866	0.645	64.23	0.523
Ireland	(I£)	49.82	9.484	8.272	2.422	1	2442	2.713	10.55	246.8	200.8	11.54	2.013	0.989	2.098	1.562	155.6	1.266
Italy	(L)	2.040	0.388	0.339	0.099	0.041	100.	0.111	0.432	10.11	8.214	0.473	0.082	0.041	0.086	0.064	6.371	0.052
Netherlands	(Fl)	18.36	3.495	3.049	0.893	0.369	900.1	1	3.890	90.96	73.93	4.254	0.742	0.365	0.773	0.576	57.35	0.467
Norway	(NKr)	47.21	8.986	7.838	2.295	0.948	2314	2.571	10	233.8	190.1	10.94	1.907	0.937	1.988	1.480	147.4	1.200
Portugal	(Es)	20.18	3.843	3.352	0.982	0.405	989.8	1.099	4.277	100.	81.28	4.677	0.818	0.401	0.850	0.633	63.05	0.513
Spain	(Pta)	24.84	4.728	4.124	1.208	0.499	1217	1.353	5.261	123.0	100.	5.754	1.003	0.493	1.046	0.779	77.56	0.631
Sweden	(SKr)	43.18	8.216	7.166	2.099	0.866	2116	2.350	9.143	213.8	173.8	10	1.744	0.857	1.817	1.353	134.8	1.097
Switzerland	(SFr)	24.75	4.712	4.110	1.203	0.497	1213	1.348	5.243	122.6	99.66	5.735	1	0.491	1.042	0.779	77.30	0.629
UK	(£)	50.37	9.588	8.363	2.449	1.011	2469	2.743	10.67	249.5	202.6	11.67	2.035	1	2.121	1.579	157.3	1.280
Canada	(C$)	23.75	4.521	3.943	1.155	0.477	1164	1.293	5.031	117.6	95.62	5.502	0.959	0.471	1	0.744	74.16	0.603
US	($)	31.90	6.072	5.296	1.551	0.640	1564	1.737	6.757	158.0	128.4	7.391	1.289	0.633	1.343	1	99.62	0.811
Japan	(Y)	32.02	6.095	5.317	1.557	0.643	1570	1.744	6.783	158.6	128.9	7.419	1.294	0.636	1.348	1.004	100.	0.814
Ecu		39.35	7.491	6.534	1.913	0.790	1929	2.143	8.336	194.9	158.4	9.117	1.590	0.781	1.657	1.234	122.9	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6433	0.6451	+0.0015	0.6456	0.6433	31,176	73,418
Mar	0.6463	0.6462	+0.0018	0.6463	0.6462	306	3,962
Jun	-	0.6455	-	-	-	41	593

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.7753	0.7779	-0.0024	0.7783	0.7752	20,115	33,779
Mar	-	0.7810	-	0.7810	-	20	697
Jun	-	0.7814	-	-	-	4	63

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.0102	1.0102	-0.0003	1.0134	1.0100	31,176	48,269
Mar	1.0195	1.0195	-	1.0197	1.0195	162	2,752
Jun	-	1.0286	-	-	-	5	447

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5770	1.5772	+0.0004	1.5804	1.5758	8,809	33,896
Mar	-	1.5750	-	1.5750	-	3	272
Jun	-	1.5700	-	1.5700	-	1	6

EMS EUROPEAN CURRENCY UNIT RATES

Oct 4	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Netherlands	2.19672	2.15093	-0.0016	-2.08	5.30	-
Ireland	0.808628	0.793078	+0.001372	-1.92	5.13	13
Belgium	40.2123	39.4996	-0.0228	-1.77	4.97	13
Germany	1.94964	1.92062	-0.00151	-1.49	4.66	-
France	6.53883	6.55844	-0.00167	0.27	2.83	-2
Denmark	7.43679	7.51607	-0.01674	1.07	2.02	-7
Portugal	192.854	195.777	+0.014	1.52	1.57	-10
Spain	154.250	159.038	+0.025	3.10	0.00	-22
NON ERM MEMBERS						
Greece	264.513	292.817	-0.211	10.70	-6.86	-
Italy	1793.19	1935.83	+3.31	7.95	-4.49	-
UK	0.786749	0.784436	+0.002374	-0.29	3.41	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	Nov	Dec	PUTS Oct	Nov	Dec
1.500	7.88	7.65	7.78	-	0.03	0.24
1.525	5.24	5.34	5.71	-	0.13	0.59
1.550	2.83	3.27	3.87	0.04	0.55	1.23
1.575	0.94	1.71	2.45	0.59	1.42	2.22
1.600	0.13	0.72	1.41	2.28	2.87	3.61
1.625	-	0.22	0.74	4.57	4.86	5.41

Previous day's vol., Calls N/A Puts N/A . Prev. day's open int., Calls N/A Puts N/A

WORLD INTEREST RATES

MONEY RATES

October 4	Over night	One month	Three mths	Six mths	One year	Lomb. inter.	Dis. rate	Repo rate
Belgium	4⅞	5	5¼	5⅝	6⅜	7.40	4.50	-
week ago	4⅞	5	5⅛	5⅞	6⅜	7.40	4.50	-
France	5⅜	5⅝	5¾	5⅞	6¼	5.00	-	6.75
week ago	5¼	5⅝	5⅝	5⅞	6¼	5.00	-	6.75
Germany	4.95	4.95	5.18	5.23	5.63	6.00	4.50	4.85
week ago	4.38	4.95	5.03	5.23	5.63	6.00	4.50	4.85
Ireland	4⅞	5½	6⅛	6⅝	7⅜	-	-	6.25
week ago	4¾	5⅝	6⅛	6⅝	7⅜	-	-	6.25
Italy	8⅛	8⅛	8¾	9⅛	10⅛	-	7.50	8.20
week ago	6⅛	6⅛	6½	9⅜	10⅜	-	7.50	8.25
Netherlands	4.84	5.02	5.24	5.39	5.83	-	5.25	-
week ago	4.84	5.02	5.12	5.33	5.72	-	5.25	-
Switzerland	3⅞	4	4⅛	4⅝	4⅞	6.625	3.50	-
week ago	3⅞	4	4	4⅜	4¾	6.625	3.50	-
US	4⅞	5	5⅜	5¾	6⅛	-	4.00	-
week ago	4⅞	5	5⅜	5⅝	6⅛	-	4.00	-
Japan	2⅛	2⅛	2¼	2⅜	2⅝	-	1.75	-
week ago	2⅛	2⅛	2¼	2⅜	2⅝	-	1.75	-
■ $ LIBOR FT London								
Interbank Fixing	-	5⅛	5⅝	5⅞	6⅝	-	-	-
week ago	-	5⅛	5¼	5¾	6⅜	-	-	-
US Dollar CDs	-	4.88	5.27	5.56	6.11	-	-	-
week ago	-	4.88	5.03	5.36	5.83	-	-	-
SDR Linked Ds	-	3⅝	3¾	3⅞	4	-	-	-
week ago	-	3⅝	3¾	3⅞	4	-	-	-

ECU Linked Ds mid rates: 1 mth: 5⅛; 3 mths: 6⅛; 6 mths: 6⅛; 1 year: 6⅝. $ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US $ CDs and SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Oct 4	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	4 15/32 - 4 11/32	4 15/32 - 4 11/32	5 - 4⅞	5 7/16 - 5 5/16	5 13/16 - 5 11/16	6 5/16 - 6 3/16
Danish Krone	5⅞ - 5⅜	5⅞ - 5½	6 3/16 - 5⅞	6¾ - 6½	7⅞ - 7⅜	7⅞ - 7⅝
D-Mark	5 1/16 - 4 15/16	5 - 4⅞	5 - 4⅞	5¼ - 5⅛	5⅝ - 5¼	5 13/16 - 5 11/16
Dutch Guilder	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 1/16 - 4 15/16	5 5/16 - 5 3/16	5 7/16 - 5 5/16	5⅞ - 5¾
French Franc	5⅝ - 5¼	5 9/16 - 5 5/16	5 9/16 - 5 7/16	5 13/16 - 5 9/16	5⅞ - 5¾	6 7/16 - 6 5/16
Portuguese Esc.	9⅜ - 9⅛	9⅛ - 8	9 13/16 - 9⅝	10 3/16 - 10⅛	10⅝ - 10⅜	10⅞ - 10½
Spanish Peseta	7½ - 7⅜	7½ - 7⅜	7 5/16 - 7 3/16	8 - 7⅞	8 7/16 - 6 5/16	9⅛ - 9
Sterling	5⅝ - 5⅜	5 7/16 - 5 5/16	5½ - 5 7/16	6 - 5 15/16	6 11/16 - 6 9/16	7 5/16 - 7 3/16
Swiss Franc	4⅛ - 3⅞	4⅛ - 3⅞	3 15/16 - 3 13/16	4 3/16 - 4 1/16	4⅞ - 4¾	4¾ - 4⅝
Can. Dollar	4 13/16 - 4¾	4 13/16 - 4¾	4 13/16 - 4 11/16	5 5/16 - 5 3/16	5 13/16 - 5 11/16	6 11/16 - 6 9/16
US Dollar	4 13/16 - 4 11/16	4 13/16 - 4 11/16	5 1/16 - 4 15/16	5½ - 5⅜	5¾ - 5⅝	6 5/16 - 6 3/16
Italian Lira	9 - 7½	8⅛ - 8	6¼ - 8⅛	8 11/16 - 8 9/16	8⅛ - 8	10 1/16 - 9 15/16
Yen	2 5/16 - 2⅛	2 5/16 - 2 3/16	2⅜ - 2¼	2 11/16 - 2 9/16	2½ - 2¼	2¾ - 2 11/16
Asian $Sing	⅝ - ½	2⅝ - 2½	3 5/16 - 3 3/16	3 15/16 - 3 13/16	4 - 3⅞	4 7/16 - 4 5/16

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.05	94.05	-0.01	94.06	94.02	10,624	47,704
Mar	93.56	93.57	-0.02	93.58	93.54	9,321	34,451
Jun	93.17	93.17	-0.02	93.18	93.14	3,704	25,235
Sep	92.84	92.84	-0.02	92.86	92.80	792	19,897

■ THREE MONTH EURODOLLAR (LIFFE)* $1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.97	93.97	-0.02	93.97	93.97	30	2123
Mar	93.57	93.59	-0.02	93.57	93.57	23	1435
Jun	93.17	93.18	-0.02	93.17	93.17	28	274
Sep		92.88	-0.02			0	52

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.83	94.83	-0.01	94.85	94.82	23978	193478
Mar	94.22	94.21	-0.02	94.23	94.18	26147	169785
Jun	93.77	93.76	-	93.80	93.74	13691	106340
Sep	93.41	93.42	-	93.44	93.37	13417	72005

■ THREE MONTH EUROLIRA INT.RATE FUTURES (LIFFE) L1000m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	90.64	90.58	-0.10	90.66	90.50	6755	33261
Mar	89.87	89.90	-0.06	89.94	89.85	2417	16064
Jun	89.34	89.37	-0.05	89.42	89.30	1293	15517
Sep	88.90	88.98	-0.04	89.02	88.90	269	15182

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.62	95.62	-	95.63	95.58	2799	23454
Mar	95.23	95.23	-0.01	95.23	95.20	675	12077
Jun	94.88	94.87	-0.01	94.89	94.88	215	6979
Sep		94.56	+0.01			0	996

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.59	93.60	-0.02	93.62	93.56	893	7895
Mar	93.03	93.01	-0.03	93.05	92.98	1135	5561
Jun	92.50	92.50	-0.02	92.51	92.47	482	2898
Sep	92.09	92.10	-0.01	92.10	92.05	85	1052

* LIFFE futures traded on APT

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	93.96	93.98	+0.02	93.99	93.95	135,321	497,081
Mar	93.58	93.61	-0.01	93.62	93.58	134,624	410,189
Jun	93.18	93.20	+0.02	93.22	93.18	81,428	298,533

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.54	94.55	-	94.55	94.54	3,188	20,897
Mar	94.14	94.16	+0.01	94.16	94.14	1,315	9,394
Jun	-	93.76	-	93.76	93.74	289	2,459

All Open Interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	Nov	Dec	Mar	PUTS Oct	Nov	Dec	Mar
9450	0.15	0.17	0.21	0.13	0.02	0.04	0.08	0.42
9475	0.02	0.05	0.09	0.06	0.14	0.17	0.20	0.60
9500	0	0.01	0.02	0.03	0.37	0.38	0.38	0.82

Est. vol. total, Calls 4930 Puts 5603. Previous day's open int., Calls 169329 Puts 183296

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9550	0.18	0.13	0.08	0.06	0.40	0.71
9575	0.05	0.06	0.04	0.18	0.58	0.92
9600	0.02	0.04	0.02	0.40	0.81	1.15

Est. vol. total, Calls 0 Puts 0. Previous day's open int., Calls 1870 Puts 615

UK INTEREST RATES

LONDON MONEY RATES

Oct 4	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6⅞ - 2	5⅛ - 5⅛	5⅝ - 5⅜	6⅛ - 5⅞	6 13/16 - 6½	7 5/16 - 7⅛
Sterling CDs	-	-	5 7/16 - 5⅜	5⅞ - 5 13/16	6⅝ - 6 7/16	7 5/16 - 7 3/16
Treasury Bills	-	-	5⅜ - 5¼	5 13/16 - 5 11/16	-	-
Bank Bills	-	-	5⅜ - 5¼	5⅞ - 5¾	6¼ - 6⅛	-
Local authority deps.	4 13/16 - 4 11/16	5 7/16 - 5 5/16	5 7/16 - 5 5/16	5 13/16 - 5 11/16	6⅝ - 6 7/16	7 5/16 - 7 3/16
Discount Market deps	6⅛ - 3½	5⅛ - 5¼	-	-	-	-

UK clearing bank base lending rate 5¾ per cent from September 12, 1994

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	1½	4	3¾	3¾	3½

Certs of Tax dep. under £100,000 is 1½pc. Deposits withdrawn for cash ½pc.
Ave. tender rate of discount 5.4710pc. ECGD fixed rate Stg. Export Finance. Make up day Sep 30, 1994. Agreed rate for period Oct 26, 1994 to Nov 25, 1994, Schemes II & III 7.05pc. Reference rate for period Sep 1, 1994 to Sep 30, 1994, Schemes IV & V 5.735pc. Finance House Base Rate 6pc from Oct 1, 1994

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	93.14	93.20	+0.04	93.21	93.12	23038	165596
Mar	92.22	92.28	+0.04	92.29	92.18	18018	83065
Jun	91.61	91.64	+0.02	91.65	91.56	6655	51048
Sep	91.15	91.20	+0.01	91.22	91.14	3497	52350

Traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	Mar	Jun	PUTS Dec	Mar	Jun
9300	0.38	0.12	0.15	0.16	0.84	1.52
9325	0.23	0.07	0.11	0.28	1.04	1.72
9350	0.11	0.04	0.06	0.41	1.26	1.94

Est. vol. total, Calls 7889 Puts 4573. Previous day's open int., Calls 291045 Puts 181966

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Duncan Lawrie	5.75	*Roxburghe Guarantee Corporation Limited is no longer authorised as a banking institution.	8
Allied Trust Bank	5.25	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
AIB Bank	5.75	Financial & Gen Bank	6.5	●Smith & Williamson Secs.	5.75
●Henry Ansbacher	5.75	●Robert Fleming & Co	5.75	TSB	5.75
Bank of Baroda	5.75	Girobank	5.75	●United Bk of Kuwait	5.75
Banco Bilbao Vizcaya	5.75	●Guinness Mahon	5.75	Unity Trust Bank Plc	5.75
Bank of Cyprus	5.75	Habib Bank AG Zurich	5.75	Western Trust	5.75
Bank of Ireland	5.75	●Hambros Bank	5.75	Whiteaway Laidlaw	5.75
Bank of India	5.75	Heritable & Gen Inv Bk	5.75	Yorkshire Bank	5.75
Bank of Scotland	5.75	●Hill Samuel	5.75		
Barclays Bank	5.75	C. Hoare & Co	5.75		
Brit Bk of Mid East	5.25	Hongkong & Shanghai	5.25		
●Brown Shipley & Co Ltd	5.75	Julian Hodge Bank	5.75		
CL Bank Nederland	5.75	●Leopold Joseph & Sons	5.75		
Citibank NA	5.75	Lloyds Bank	5.75		
Clydesdale Bank	5.75	Meghraj Bank Ltd	5.75		
The Co-operative Bank	5.75	Midland Bank	5.75		
Coutts & Co	5.75	*Mount Banking	8		
Credit Lyonnais	5.75	NatWestminster	5.75		
Cyprus Popular Bank	5.75	●Rea Brothers	5.75		

● Members of London Investment Banking Association
* In administration

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

[illegible]

30-90 day notice available Tel 0345 272213

NOTES– Gross: Contractual rate of interest payable, not taking account of the deduction of basic rate income tax. Net: Rate of interest payable after allowing for deduction of basic rate income tax. Gross CAR: Gross rate annualised to take account of compounding of interest paid other than once a year. 'Compounded Annual Rate'. Int Cr: Frequency at which interest is credited to the account.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Oct 4 / Sch)

[illegible]

BELGIUM/LUXEMBOURG (Oct 4 / Frs.)

[illegible]

DENMARK (Oct 4 / Kr)

[illegible]

FINLAND (Oct 4 / Mkk)

[illegible]

FRANCE (Oct 4 / Frs.)

[illegible]

GERMANY (Oct 4 / Dm.)

[illegible]

ITALY (Oct 4 / Lire)

[illegible]

NETHERLANDS (Oct 4 / Fls.)

[illegible]

NORWAY (Oct 4 / Kroner)

[illegible]

SPAIN (Oct 4 / Pts.)

[illegible]

SWEDEN (Oct 4 / Kronor)

[illegible]

SWITZERLAND (Oct 4 / Frs.)

[illegible]

PACIFIC

JAPAN (Oct 4 / Yen)

[illegible]

AUSTRALIA (Oct 4 / Aust$)

[illegible]

HONG KONG (Oct 4 / H.K.$)

[illegible]

MALAYSIA (Oct 4 / MYR)

[illegible]

SINGAPORE (Oct 4 / S$)

[illegible]

NORTH AMERICA

CANADA

TORONTO (Oct 4 / Can $) 4 pm close

[illegible]

MONTREAL (Oct 4 / Can $) 4 pm close

[illegible]

AFRICA

SOUTH AFRICA (Oct 4 / Rand)

[illegible]

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are for 1994, except Toronto & Montreal (daily). § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, October 4, 1994

	Stocks Traded	Closing Prices	Change on day
Nippon Steel	6.5m	384	-4
Kawasaki Steel	3.3m	439	-6
NKK	3.2m	283	-4
Oki Electric	3.0m	780	-1
Sumitomo Mtl Ind	2.8m	338	-7
Toshiba	2.6m	735	-10
Hitachi Zosen	2.5m	541	+8
Nomura Secs	2.4m	1980	-50
Hitachi	2.2m	971	+7
Nippon Shinpan	2.0m	758	-55

INDICES

	Oct 4	Oct 3	Sep 30	1994 High	1994 Low
[illegible]					
Banca Comm Ital (1972)	657.98	667.74	679.77	817.17 10/5	[illegible]
MIB General (4/1/94)	1066.0	1081.0	1101.0	1318.00 10/5	944.00 10/1
Japan					
Nikkei 225 (16/5/49)	19588.81	19650.03	19683.81	21552.81 13/6	17369.74 4/1
Nikkei 300 (1/10/82)	287.50	288.95	288.39	311.71 13/6	258.22 4/1
Topix (4/1/68)	1572.79	1579.00	1576.89	1712.73 13/6	1445.97 4/1
2nd Section (4/1/68)	2229.22	2236.11	2240.57	2542.85 6/7	1873.33 4/1
Malaysia					
KLSE Comp.(4/4/86)	1125.66	1127.35	1129.78	1314.46 5/1	928.33 4/4

– Sat Oct 1 : Taiwan Weighted Price 7135.12; Korea Comp Ex 1054.23†. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Oct 4 - 1988.67 -13.63

US INDICES

Dow Jones	Oct 3	Sep 30	Sep 29	1994 High	1994 Low	Since compilation High	Since compilation Low
Industrials	3846.89	3843.16	3854.63	3978.36 (31/1)	3593.35 (4/4)	3978.36 (31/1/94)	41.22 (2/7/32)
Home Bonds	96.96	96.71†	96.98	105.61 (21/1)	96.43 (13/5)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	1486.00	1491.59	1493.54	1862.29 (2/2)	1493.54 (29/9)	1862.29 (2/2/94)	12.32 (8/7/32)
Utilities	180.60	181.45	180.00	227.06 (3/1)	175.85 (20/9)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 3872.70 (3891.30) Low 3809.21 (3825.69) (Theoretical♠)
Day's high 3851.93 (3875.48) Low 3826.03 (3839.81) (Actual♠)

Standard and Poors	Oct 3	Sep 30	Sep 29	1994 High	1994 Low	Since compilation High	Since compilation Low
Composite ‡	461.74	462.69	462.24	482.00 (2/2)	438.92 (4/4)	482.00 (2/2/94)	4.40 (1/6/32)
Industrials♥	547.77	548.18	547.42	560.83 (15/9)	510.05 (21/4)	560.83 (15/9/94)	3.62 (21/6/32)
Financial	42.83	43.12†	43.16	46.94 (14/6)	41.39 (4/4)	48.40 (28/9/93)	8.64 (1/10/74)
NYSE Comp.	254.94	255.52	255.15	267.71 (2/2)	243.14 (4/4)	267.71 (2/2/94)	4.46 (25/4/42)
Amex Mkt Val	458.46	458.81	456.47	487.89 (2/2)	422.67 (20/6)	487.89 (2/2/94)	29.31 (9/12/72)
NASDAQ Cmp	760.88	764.29†	758.34	803.93 (18/3)	693.79 (24/6)	803.93 (18/3/94)	54.87 (31/10/72)

■ RATIOS

	Sep 30	Sep 23	Sep 16	Year ago
Dow Jones Ind. Div. Yield	2.76	2.76	2.69	2.85
	Sep 28	Sep 21	Sep 14	Year ago
S & P Ind. Div. yield	2.39	2.41	2.37	2.51
S & P Ind. P/E ratio	20.78	20.64	20.91	27.52

■ STANDARD AND POORS 500 INDEX FUTURES $500 times index

	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	463.15	464.60	+1.35	464.60	463.00	62,811	209,281
Mar	-	466.50	-	-	-	769	7,495
Jun	-	470.25	-	-	-	77	2,205

Open interest figures are for previous day.

■ CAC-40 STOCK INDEX FUTURES (MATIF)

	Open	Sett.Price	Change	High	Low	Est. vol.	Open Int.
Oct	1862.0	1886.0	+28.0	1887.0	1861.0	17,186	29,314
Nov	1869.0	1894.0	+29.0	1881.5	1869.0	73	402
Dec	1879.0	1903.5	+28.5	1904.0	1878.0	1,452	25,385

Open interest figures for previous day.

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Blockbuster	11,993,200	27½	-⅛
Pac G & E	7,383,600	21⅞	-⅜
Adv Micro	5,776,000	26½	-3¼
Shell	4,404,400	67⅝	+⅝
SCE Corp	4,377,100	13⅝	+½
Merck	3,656,600	36⅛	+⅜
Micron	3,094,200	32⅝	-2⅜
Gen Electric	3,081,400	47⅝	-½
Chrysler	2,829,200	44⅝	-¼
Enterprise Oil	2,800,300	16⅝	+¼

■ TRADING ACTIVITY

● Volume (million)	Oct 3	Sep 30	Sep 29
New York SE	269.112	281.902	302.110
Amex	27.326	30.459	24.543
NASDAQ	222.807	278.095	280.856
NYSE			
Issues Traded	2,852	2,856	2,854
Rises	831	1,286	863
Falls	1,343	847	1,269
Unchanged	678	723	722
New Highs	40	65	43
New Lows	77	73	94

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♠ The DJ Indl. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

4 pm close October 4

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

[illegible]

- B -

[illegible]

- C -

[illegible]

- D -

[illegible]

- E -

[illegible]

- F -

[illegible]

- G -

[illegible]

- H -

[illegible]

- I -

[illegible]

- J -

[illegible]

- K -

[illegible]

- L -

[illegible]

- M -

[illegible]

- N -

[illegible]

- O -

[illegible]

- P - Q -

[illegible]

- R -

[illegible]

- S -

[illegible]

Continued on next page

NYSE COMPOSITE PRICES

4 pm close October 4

Continued from previous page

[illegible]

1994 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close	Chng
42½	33⅞	York Intl	0.16	0.4	30	334	47⅞	41½	41½	-⅛
5½	1	Zapata x	0.14	3.2		140	4½	4⅜	4⅜	-⅛
13½	7	ZnthEl			6	1327	11¾	11	11	-½
27⅜	20⅝	Zenith Nat	1.00	4.2	9	08	24⅛	23⅞	23⅞	-⅛
7⅞	6⅝	Zenix Inc	0.83	11.8		189	7	6⅞	7	+¼
16⅛	11⅜	Zero	0.48	3.1	15	103	13¼	12⅞	12⅞	-¼
29¾	16⅞	Zurn Ind	0.88	4.7	16	78	19⅜	18¾	18⅞	+⅛
13⅞	11	Zweig Fund	1.06	9.9		430	11⅛	611	11	-⅜
10¾	8¼	Zweig 7d3	0.84	9.9		654	8⅝	8½	8½	-⅛

Price data supplied by Telekurs

Yearly highs and lows for NYSE reflect the period from Jan 1 1994. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4 pm close October 4

[illegible]

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.48	10	1523	16⅛	15¾	15⅞	-⅜
Perini	0.80	19	27	9⅝	9⅜	9⅜	-⅛
Phil LD	0.24	15	504	58½	55⅝	55¾	-½
Pittway A	0.50	19	121	36¼	35⅝	36¼	+⅝
Ply Gem	0.12	30	252	23⅝	22¾	23	-¼
PMC x	0.94	19	31	14⅜	14¼	14⅛	
PresidioA	0.10	1	139	1⁵⁄₁₆	1⅛	1³⁄₁₆	+¹⁄₁₆
RaganBrad		34	2	32	32	32	
RB&W Cp		3	21	6⅞	5¾	5¾	-¼
SJW Corp	2.16	9	2	35¾	35⅜	35¾	
SthnUnion		19	82	17¾	17⅝	17⅝	-⅛
Tab Prods	0.20	48	19	9⅜	8⅞	8⅞	+⅛
Tel&Data	0.80	67	1158	48	45½	45½	-½
Thermedics		66	1476	15⅝	15	15	-¼
Thermotrex		33	74	31⅜	d1	31	-¼
TotPNA x	0.20	10	435	13⅜	13¼	13⅜	
TownCntry		60	80	1⅞	d1¾	1⅞	
Triton		1	0	1¾	1⅜	1¾	-¹⁄₁₆
Tubos Mex		7	1011	5½	5⅜	5⅜	-¼
TurnrBrA x	0.07	72	119	20⅛	19½	19⅝	-⅜
TurnrBrB x	0.07	1862	773	20¼	19⅛	19⅝	-¾
UtdFoodsA		5	10	2³⁄₁₆	2³⁄₁₆	2³⁄₁₆	-¹⁄₁₆
UtdFoodsB	0.20	109	6	2³⁄₁₆	2³⁄₁₆	2³⁄₁₆	
UnivPtnts		28	22	7¾	7⅝	7¾	-⅛
US Cellul		236	180	30⅞	30⅝	30¾	+¼
ViacomA		25	4308	40⅜	39¼	39⅝	-⅝
ViacomB			19849	39¼	38⅛	38⅜	-⅞
Weatherfd		29	1207	12⅛	11⅞	12	
WIRET	1.12	19	237	12⅞	12⅝	12⅝	-⅛
Worthen	0.88	13	169	28¼	28½	28⅞	-⅛
Xytronix		3	110	4	3¾	3¹⁵⁄₁₆	-⅛

NASDAQ NATIONAL MARKET

4 pm close October 4

[illegible]

AMERICA

Dow easier ahead of jobs data

Wall Street

US share prices were notably lower across the board yesterday morning as investors nervously ewaited news of Friday's key employment data, *writes Patrick Harverson in New York.*

By 1 pm, the Dow Jones Industrial Average was down 20.52 at 3,826.37, having spent most of the morning session no more than a few points either side of its overnight close. Other indices moved in similar fashion, bolding steady for most of the morning before dropping quickly after midday. At 1 pm, tbe more broadly based Standard & Poor's 500 was down 4.17 at 457.57, while the American Stock Exchange composite was off 1.59 at 456.87 and the Nasdaq composite lost 6.25 at 754.63. Trading volume on the NYSE was 178m shares.

At the opening, the equity market followed tha pattern of trading on the bond market, with stocks rising modestly at the bell in the wake of an upbeat start by Treasury prices. On Monday, bonds fell sharply following signs of rising inflation in the National Association of Purchasing Management's monthly report, but yesterday they stabilised, thanks in part to news of a 0.6 per cent rise in August leading economic indicators which was in line with expectations.

Inflation concerns, however, were never far from the surface, and prices in both the bond and stock markets soon fell back from their sarly highs. On Friday, the government is dne to release the September employment report, which will give the markets their first look at how the economy fared last month. If the report is stronger than expected, analysts expect the Federal Reserve to sanction another increase in interest rates.

With a possible rate rise in the borizon, investors remain reluctant to commit funds to tha debt or equity markets.

Among individual stocks, the big three vehicle manufacturers wers all lower. General Motors, which announced a shake-up of senior management in its North American division yesterday, eased $⅝ to $45⅝, Ford fell $⅝ to $26⅝ and Chrysler dropped $⅝ to $44⅛.

American Express rose $1 to $30⅞ following reports that the company planned to cut as many as 4,800 jobs and more than $500m in operating costs in a restructuring of its travel services business.

Carter-Wallace, the drug and toiletry products group, climbed $⅝ to $14¼ after tha company announced it would take a $49m pre-tax charge in the second quarter to cover the cost of redundancies, plant closures and e restructuring of its laboratories unit.

Computer chip manufacturers suffered in the wake of negative comments about earnings from Advanced Micro Devices on Monday.

AMD fell another $1¼ to $25⅝, Texas Instruments dropped $1⅜ to $64⅝ and Intel, quoted on the Nasdaq market, slipped $1¼ to $59.

Canada

Toronto was under pressure from falling gold issues at midday, while base metal shares also helped to push the market lower.

The TSE 300 composite index fell 14.60 to 4,330.11 at noon in volume of 26.5m shares.

Only three of the market's 14 sub-indices were higher at mid-session.

Precious metals registered the biggest fall, losing 1.8 per cent, while financial services picked up 0.6 per cent and oil and gas was 0.4 per cent higher on the improving outlook for oil prices.

Brazil overcomes weakness

São Paulo shares overcame early weakness to trade marginally higher in lacklustre midday trade. Investors mostly stayed on the sidelines after exit polls indicated that Mr Fernando Henrique Cardoso had, as was widely expected, won Monday's presidential elections.

The Bovespa index of the 55 most active shares was up 68 at 54,908 at 1300 local time in volume of R$194.8m ($230m).

"Investors are optimistic about Mr Cardoso's election," one broker said.

"Bnt it seems that they decided to stay out of the market in order to prepare their investment strategies for the near future."

The state-run Telebras preferred declined 0.4 per cent to R$53, while Vale do Rio Doce preferred advanced 1.4 per cent to R$180.50.

S Africa turns back from highs

A bullish start was made to Johannesburg trading as the market assessed the ratings assigned to the country's foreign currency long term debt. But the early promise was not fulfilled as a firmer financial rand and softer gold price dragged shares off highs to end mostly down on the day.

Dealers said investors were generally encouraged by the investment grade BAA3 rating assigned by Moody's but they had reservations abont the speculative BB rating assigned by Standard & Poor's.

Key industrials attracted steady interest amid a limited supply of scrip before succumbing to financial rand strength.

The overall index lost a net 18 at 5,654, industrials 4 at 6,301 and golds 24 at 2,400.

Anglos fell R2 to R238, JCI was off R1 et R105 and Vaal Reefs declined R5 to R472.

SAB reversed an earlier gain to close 50 cents softer at R84 bnt Barlows remained in demand, adding 65 cents at R31, and Sappi rose R2 to R58.

EUROPE

Feelings stay mixed as Paris, Zurich rebound

Sentiment was mixed following last week's fears, and Monday's leck of enthusiasm, *writes Our Markets Staff.*

PARIS saw some bottom-fishing as the market rebounded from Monday's new low. The CAC-40 index rose 23.29 or 1.3 per cent to 1,876.12 in turnover of FFr3.1bn; but a number of blue chips advanced 3 or 4 per cent.

Analysts remarked upon the gains for Générale des Eaux and Lyonnaisa des Eaux, up FFr19.20 to FFr477.20 and FFr20.80 to FFr489 respectively in quite significant volume. The two water companies have been dapressed in recent months by allegations of irregularities in political party funding and similar matters; French ntilities were down by 10.7 per cent in the third quarter against a 1 per cent decline in tha market and it may be, said professionals, that some investors were beginning to look at their earnings potential.

Elsewhere, buyers were still risk averse, Crédit Lyonnais falling back again, by FFr9 to FFr421, as the bank denied talk of unconditional state backing. LVMH lost a further FFr15 at FFr827 following moves to simplify the luxury product group's structure.

FRANKFURT came back from the Unity Day holiday, and caught up with Monday's falls elsewhere, the Dax index shedding 16.80 to 1,994.95 on the session and easing to 1,988.67 in the post bourse.

US selling seemed to have eased, and turnover fell from DM7.6bn to DM6bn; but it was no day to be in some second liners, with traders news sensitive and a lack of buyers to soak up small selling.

A DB Research earnings downgrade for Asko, the retailer, took the shares another DM85 lower to DM775, down from DM1,000 on August 30 and a January high of DM1,275.

In construction, Holzmann's rights issue at DM650 left the shares DM31 lower at DM885; in the same sector, Hochtief dropped DM40 to DM934; and in engineering, Deutsche Babcock lost DM221.90 – another case of brokers' forecasts being a little too optimistic, said Ms Barbara Altmann at B Metzler in Frankfurt.

ZURICH rebounded after the sharp losses of the previous two sessions and the SMI index picked up 23.0 to 2,522.5.

The recovery extended to UBS bearers, up SFr21 to SFr1,191, and the registered, SFr4 ahead at SFr287 – both had been heavily sold since last Friday's news of the bank's capital restructuring. BK Vision, Mr Martin Ebner's investment vehicle which is heading for a showdown over control of UBS, rose SFr35 to SFr1,335.

Chemicals and pharmaceuticals returned to favour, with Rochs certificates recouping SFr95 to SFr5,725 and Ciba bearers up SFr8 to SFr730.

Insurers were under pressure on worries of competition from Germany's Allianz following its purchase of Elvia. Swiss Re was an exception, putting on a further SFr27 at SFr671 in continued response to Friday's news that it planned to sell off its direct insurance holdings and concentrate on its reinsurance business.

AMSTERDAM edged lower in quiet, bond-driven trading, the AEX index easing 0.29 to 398.49. ABN Amro fell 60 cents to Fl 56.80 on fears of interest rate rises.

KNP BT extended Monday's losses, falling Fl 1.20 to Fl 50 following news of collapsed merger talks with Ivan Allen, of the US.

Wolters Kluwer picked up Fl 1.40 to Fl 122.40 on news that it had bought the Swiss training institute Krauthammer International.

Multihouse, a software company, rose 40 cents or 16.6 per cent to Fl 2.80 in heavy volume on takeover rumours after a year in which the loss-making company has been bovering just above Fl 2.00 per share.

MILAN finished easier but off the lows seen after comments by President Oscar Luigi Scalfaro, that he had not been given time to study the 1995 budget, suggested a rift between the cabinet and the presidency.

The Comit index finished 9.76 or 1.5 per cent lower at 657.98, while the real-time Mibtal index picked up from a day's low of 10,464 to close 34 easier at 10,551.

Fiat hit an early high of L6,525 after the Fiat Auto managing director, Mr Paolo Cantarella, said that market conditions were improving, bnt added that Fiat Auto had made a loss in the first half. Subsequently tbe shares dropped back to L6,477.

The banking sector continued its recent decline, Banco di Napoli losing another L14 to L1,484 on speculation that it might be about to launch a capital increase. Credito Italiano fell L50 to L2,010.

Benetton remained under pressure, giving np L350 to L20,400 for a fall of 7.9 per cent since last Friday's disappointing first-half results.

VIENNA traders said that buyers were reluctant to go bargain hunting ahead of general elections in both Austria and Germany; sentiment was hit early by weakness in the German bund future, and the early closing ATX index fell 8.42 to 1,051.54.

Economos, the seal and washer maker endangered by the possible non-payment of a Sch100m debt from a US sibling, said it could service its own debts even though one bank had called in credit lines. However, the shares weakened Scb77 to Sch693.

Written and edited by William Cochrane and Michael Morgan

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES

Oct 4 Hourly changes	Open	11.00	11.30	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1310.48	1312.40	1312.88	1311.64	1311.46	1312.93	1313.07	1312.97
FT-SE Eurotrack 200	1360.09	1360.32	1360.94	1359.27	1359.48	1359.26	1360.85	1360.61

	Oct 3	Sep 30	Sep 29	Sep 28	Sep 27
FT-SE Eurotrack 100	1309.82	1316.93	1330.58	1346.01	1340.34
FT-SE Eurotrack 200	1357.86	1359.89	1375.17	1388.74	1381.39

Base 1000 (26/10/90); High/day: 100 - 1314.12; 200 - 1361.29 Low/day: 100 - 1310.41 200 - 1358.55 † Partial

ASIA PACIFIC

Nikkei lower on new issue worries

Tokyo

Increasing worries over the fall in Japan Telecom and pessimism over the subscription for Japan Tobacco shares took the Nikkei 225 average into a moderate loss on small-lot selling, *writes Emiko Terazono in Tokyo.*

The index finished 81.42 off at 19,568.61 after trading within a narrow range betwsen 19,651.83 and 19,525.71. Volume totalled 161m shares, against Monday's 158m. Most investors were inactive, including corporate investors and public funds.

The Topix index of all first section stocks relinquished 6.21 at 1,572.79 and the Nikkei 300 sbed 1.45 to 287.50. Declines outnumbered rises by 526 to 388, with 223 issues unchanged, and in London the ISE/Nikkei 50 index softened 0.14 to 1,288.09.

Tbe Finance Ministry announced the winners of the lottery for tbe 436,666 Japan Tobacco shares on public offer. Investors that won have until next Tuesday to purchase the shares, but most market participants expect a shortage of snbscribers due to current market conditions and recent weakness of Japan Telecom.

The latter, listed on the second section and a recent benchmark for market sentiment, lost Y70,000 at Y3.8m after sinking to a new intra-market low of Y3.78m. DDI, another second section telecom company, dipped Y2,000 to Y864,000 and Nippon Telegraph and Telephone declined Y9,000 to Y862,000.

Brokerage shares were weak on the low trading volums. Nomura Securities receded Y50 to Y1,980 and Nikko Securities Y20 to Y1,090.

Nippon Shinpan, a consumer credit company, dropped Y55 to Y758 on rumours of financial problems at its financial affiliates, due to mounting bad loans.

Steels were actively traded. Nippon Steel, the most active issue of the day, slipped Y4 to Y384 and Kawasaki Steel declined Y6 to Y439.

High-priced stocks were sold, with Nintendo, ths video game maker, Y310 lower at Y5,460. The company announced that its first-half pre-tax profits fell 16 per cent, down from its initial forecast due to the higher yen and sluggisb domestic sales.

Nintendo's weakness dragged down Sega Enterprises, another video equipment maker, which retreated Y430 to Y5,650 on earnings worries.

In Osaka, the OSE average declined 33.30 to 21,962.98 in volume of 8.3m shares.

Roundup

A mixture of influences drove the Pacific Rim markets.

SYDNEY ended below key support at a 2½-month low amid mounting concern over rising local interest rates, but overall volumes were thin. The All Ordinaries index closed 32.9 or 1.6 per cent down at 1,998.0.

News Corp fell 41 cents or 4.8 per cent to a 14-month low of A$8.06 as investors took a scathing view of the group's preference share issue aimed at financing acquisitions without diluting Mr Rupert Murdoch's control.

WELLINGTON declined almost 1 per cent as an already weak market was unsettled further wben Mr Don Brash, the Reserve Bank governor, told a parliamentary select committee that inflationary pressures were greater than forecast just a month ago.

He said that he was comfortable with the sharp rise in interest rates in the interim and did not see any need for furtber tightening.

The NZSE-40 capital index ended 19.73 down at 2,057.50. Telecom and Fletcher Challenge, the two stocks which had shown greatest strength recently, led the falls, each losing 6 cents at NZ$5.29 and NZ$4.24 respectively.

SEOUL pressed ahead to a new closing high, the composite index rising 10.41 to 1,064.64, with the announcement of a partial cabinet reshuffle involving the country's top economic ministers helping to boost sentiment.

A 1.8 per cent fall in the banking sub-index contrasted with the day's gains. The newly listed Citizens National Bank went the day's limit up of Won800 to Won17,400 but other banking issues were lacklustre.

TAIPEI edged back as profits were taken in financial stocks after their recent strong run. The weighted index was finally 3.83 off at 7,179.92 after an opening high of 7,228.33. Turnover was a modest T$57.6bn.

Among losing financials, ICBC shed 50 cents to T$104.5. Closed-end funds, bowever, rose on newspaper reports that some would pay good dividends by the year-end. Kwang Hua Fortune Fund put on 5 cents at T$13.25 and Yuan Ta Duo Yuan 20 cents at T$15.2.

MANILA saw a broad-based advance which lifted the composite index 32.27 to 2,953.61.

HONG KONG made small gains during a session that was featureless except for some speculative interest in second line issues. The Hang Seng index was up 11.63 at 9,504.12, off a high of 9,547.78.

BOMBAY was firmer, led by polyester fibre and yarn makers, which announced that they were raising prices of their products. The BSE 30-share index gained 26.68 at 4,366.14.

SINGAPORE was led ahead by firm foreign demand for banks, properties and other blue chips, but Malaysian shares traded over tha counter faced selling pressure.

The Straits Times Industrial index moved up 22.04 to 2,370.56. Malaysia's Yeo Hiap Seng climbed 35 cents to S$8.85 on persistent rumours that a takeover was in the making.

KARACHI jumped tha 2,300-point barrier for the first time since August 11 in brisk trading, boosted by overseas interest in cement and polyester stocks ahead of year-end results. The KSE 100-share index rose 16.07 to 2,310.54.

COLOMBO was lower for a fifth straight day on reduced foreign support, the all-share index dipping 10.90 to 1,124.68.

FT-ACTUARIES WORLD INDICES QUARTERLY VALUATION

The market capitalisation of the national and regional markets of the FT-Actuaries World Indices as at SEPTEMBER 30, 1994 are expressed below in millions of US dollars and as a percentage of the World Index. Similar figures are provided for the preceding quarter. The percentage change for each US dollar index value since the end of the calendar year is also provided.

NATIONAL AND REGIONAL MARKETS (number of lines of stock)	Market cap. as at 30/09/94 (US$m)	% of World Index	Market cap. as at 30/06/94 (US$m)	% of World Index	% chge in $ index since 31/12/93
Australia (68)	143034.8	1.52	138029.9	1.49	2.18
Austria (16)	13166.8	0.14	13346.0	0.14	–0.36
Belgium (37)	62714.8	0.66	62478.3	0.68	1.24
Canada (103)	158283.8	1.68	140043.1	1.51	1.86
Denmark (33)	33876.5	0.36	35186.5	0.38	1.38
Finland (24)	27046.5	0.29	20911.8	0.23	45.55
France (97)	308873.7	3.28	296223.9	3.20	–6.00
Germany (58)	324845.9	3.44	317582.7	3.43	–1.83
Hong Kong (56)	198228.7	2.10	179909.1	1.94	–18.85
Ireland (14)	14337.9	0.15	12500.2	0.14	10.60
Italy (59)	143652.1	1.52	130029.8	1.41	22.29
Japan (469)	2791063.4	29.56	2963478.3	32.03	22.63
Malaysia (97)	117561.9	1.25	98003.7	1.06	–5.40
Mexico (18)	82576.7	0.88	69966.8	0.76	–5.24
Netherland (27)	184798.2	1.96	173009.2	1.87	5.23
New Zealand (14)	18645.3	0.20	17006.7	0.18	6.34
Norway (23)	9682.5	0.10	9550.7	0.10	6.83
Singapore (44)	57522.8	0.61	50528.2	0.55	2.64
South Africa (59)	120264.5	1.27	102514.3	1.11	16.65
Spain (42)	91359.8	0.97	90263.8	0.98	–0.38
Sweden (36)	81832.7	0.87	75105.2	0.81	12.94
Switzerland (47)	219740.4	2.33	218045.3	2.36	0.94
United Kingdom (204)	900106.3	9.54	850824.8	9.20	–5.33
USA (516)	3329944.9	35.30	3186987.8	34.45	–0.51
EUROPE (717)	2417233.8	25.62	2305158.4	24.92	–0.00
Nordic (116)	152638.1	1.62	140754.3	1.52	14.38
Pacific Basin (748)	3326056.7	35.25	3448955.9	37.29	18.71
Euro-Pacific (1465)	5743290.3	60.88	5752114.2	62.17	8.77
North America (619)	3488228.8	36.97	3327030.9	35.96	–0.41
Europe Ex. UK (513)	1517127.3	16.08	1454333.5	15.72	2.15
Pacific Ex. Japan (279)	534993.3	5.67	483477.8	5.23	–6.18
World Ex. US (1645)	6104415.3	64.70	6064638.4	65.55	8.49
World Ex. UK (1957)	8534253.9	90.46	8400801.4	90.80	6.31
World Ex. So. Af. (2102)	9314095.7	98.73	9149111.9	98.89	4.98
World Ex. Japan (1692)	6643296.8	70.42	6288148.0	97.97	–0.98
The World Index (2181)	9434360.2	100.00	9251626.3	100.00	5.09

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY OCTOBER 3 1994 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY SEPTEMBER 30 1994 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (68)	171.22	0.4	100.87	106.04	136.63	153.69	0.3	3.61	170.53	160.32	106.69	137.56	153.28	189.16	144.06	144.06
Austria (16)	182.08	–1.2	171.06	114.89	147.41	147.35	–0.8	1.09	184.32	173.28	115.31	148.67	148.60	198.89	167.46	168.68
Belgium (37)	163.18	–0.9	153.31	102.96	132.12	128.86	–0.8	4.26	164.66	154.80	103.01	132.81	129.62	177.04	147.45	148.06
Canada (103)	137.80	–0.4	129.46	86.95	111.57	134.26	–0.1	2.50	138.31	130.03	86.53	111.56	134.35	145.31	120.54	121.46
Denmark (33)	249.00	–0.7	233.94	157.11	201.59	206.66	–0.4	1.44	250.62	235.61	156.79	202.15	207.45	275.79	229.78	229.78
Finland (24)	180.31	0.8	169.40	113.77	145.98	183.32	0.2	0.77	179.31	168.57	112.18	144.63	183.00	161.70	110.04	110.04
France (101)	162.69	–1.6	152.85	102.65	131.72	135.56	–1.3	3.20	165.41	155.51	103.48	133.42	137.37	185.37	159.34	168.14
Germany (58)	137.45	–0.4	129.14	86.73	111.28	111.28	0.0	1.85	137.96	129.70	86.31	111.28	111.28	150.40	127.23	127.23
Hong Kong (58)	390.95	–0.3	367.30	246.68	318.53	387.85	–0.3	3.13	392.18	368.70	245.35	316.34	389.07	506.58	305.03	305.03
Ireland (14)	202.08	–1.4	189.84	127.50	163.60	182.56	–1.4	3.50	204.84	192.58	128.15	165.23	185.25	216.60	168.31	168.31
Italy (59)	81.53	–2.8	76.60	51.44	66.01	95.32	–2.5	1.62	83.88	78.85	52.47	67.66	97.72	97.79	57.88	73.00
Japan (468)	158.61	–0.6	149.01	100.08	128.41	100.08	0.2	0.77	159.58	150.03	99.84	128.72	99.84	170.10	124.54	163.02
Malaysia (97)	557.72	–0.3	523.99	351.91	451.55	551.21	–0.2	1.52	559.57	526.06	350.07	451.38	552.61	621.63	418.19	419.99
Mexico (18)	2284.80	1.0	2146.41	1441.52	1848.65	8481.50	0.8	1.21	2262.50	2126.98	1415.42	1824.94	8411.81	2647.06	1664.06	1671.20
Netherland (19)	207.92	–0.8	195.35	131.20	168.34	165.46	–0.4	3.49	209.51	196.96	131.07	169.00	166.17	216.19	186.76	185.76
New Zealand (14)	72.85	0.9	68.44	45.97	58.98	64.17	0.8	3.79	72.21	67.89	45.18	58.25	63.69	77.59	59.22	59.72
Norway (23)	194.89	–0.3	183.10	122.97	157.78	179.87	–0.1	1.84	195.50	183.79	122.30	157.69	180.12	211.74	165.52	169.80
Singapore (44)	381.40	0.9	358.34	240.66	308.80	260.74	1.0	1.62	377.97	355.34	236.46	304.88	258.22	381.40	294.88	298.63
South Africa (59)	311.64	0.1	292.97	196.76	252.47	291.03	0.1	2.20	311.63	292.96	194.98	251.38	290.84	314.24	202.72	204.53
Spain (38)	137.13	–1.2	128.84	86.53	111.03	133.62	–1.0	4.19	138.81	130.50	86.84	111.97	135.21	156.79	128.88	138.72
Sweden (36)	220.14	–0.7	206.83	138.91	178.24	244.05	–0.8	1.64	221.78	208.50	138.76	178.89	245.59	231.35	175.83	190.06
Switzerland (47)	158.91	–1.7	149.30	100.27	128.66	127.55	–1.2	1.80	161.66	151.97	101.13	130.39	129.06	176.56	140.17	140.17
United Kingdom (204)	191.57	–1.3	179.98	120.88	155.10	179.98	–1.4	4.22	194.11	182.48	121.44	156.58	182.48	214.96	181.11	188.17
USA (514)	188.50	–0.2	177.10	118.94	152.62	188.50	–0.2	2.89	188.93	177.61	118.18	152.39	188.93	198.04	178.85	188.57
EUROPE (709)	168.13	–1.2	156.09	104.82	134.50	147.23	–1.1	3.15	168.22	158.14	105.24	135.69	148.81	178.58	154.79	156.77
Nordic (116)	215.66	–0.5	202.64	136.09	174.62	204.06	–0.4	1.45	216.68	203.70	135.56	174.78	204.92	222.15	173.19	179.53
Pacific Basin (747)	168.45	–0.5	158.26	106.29	136.38	111.01	0.2	1.09	169.30	159.17	105.92	136.56	110.76	176.86	134.79	158.07
Euro-Pacific (1456)	167.34	–0.5	157.22	105.59	135.48	125.67	–0.3	1.96	168.72	158.62	105.55	136.09	126.08	175.14	143.88	167.43
North America (617)	185.35	–0.2	174.14	116.95	150.06	184.74	–0.2	2.87	185.76	174.65	116.22	149.85	185.15	192.73	175.67	184.42
Europe Ex. UK (505)	148.82	–1.2	139.82	93.90	120.49	127.69	–0.9	2.52	150.64	141.62	94.24	121.51	128.82	156.12	135.94	137.92
Pacific Ex. Japan (279)	263.48	0.1	247.55	166.25	213.33	234.47	0.0	2.77	263.36	247.59	164.76	212.43	234.40	296.21	207.55	207.55
World Ex. US (1636)	169.40	–0.6	159.16	106.89	137.15	129.54	–0.3	1.96	170.71	160.48	106.80	137.69	129.92	176.65	145.58	157.64
World Ex. UK (1946)	173.07	–0.5	162.60	109.21	140.12	144.41	–0.2	2.06	173.94	163.52	108.82	140.30	144.64	178.59	165.96	165.10
World Ex. So. Af. (2091)	173.84	–0.6	163.33	109.69	140.75	146.65	–0.3	2.29	174.86	164.39	109.39	141.04	147.06	180.08	166.54	166.82
World Ex. Japan (1682)	185.31	–0.8	174.10	116.92	150.03	175.59	–0.5	2.93	186.35	175.19	116.58	150.31	176.45	195.20	176.29	176.29
The World Index (2150)	174.72	–0.8	164.15	110.24	141.46	147.71	–0.3	2.29	175.73	165.20	109.94	141.74	146.12	180.80	158.85	166.96

Amendments to indices 3/10/94 related to New Zealand. Latest prices were unavailable for this edition. German market closed 3/10/94.

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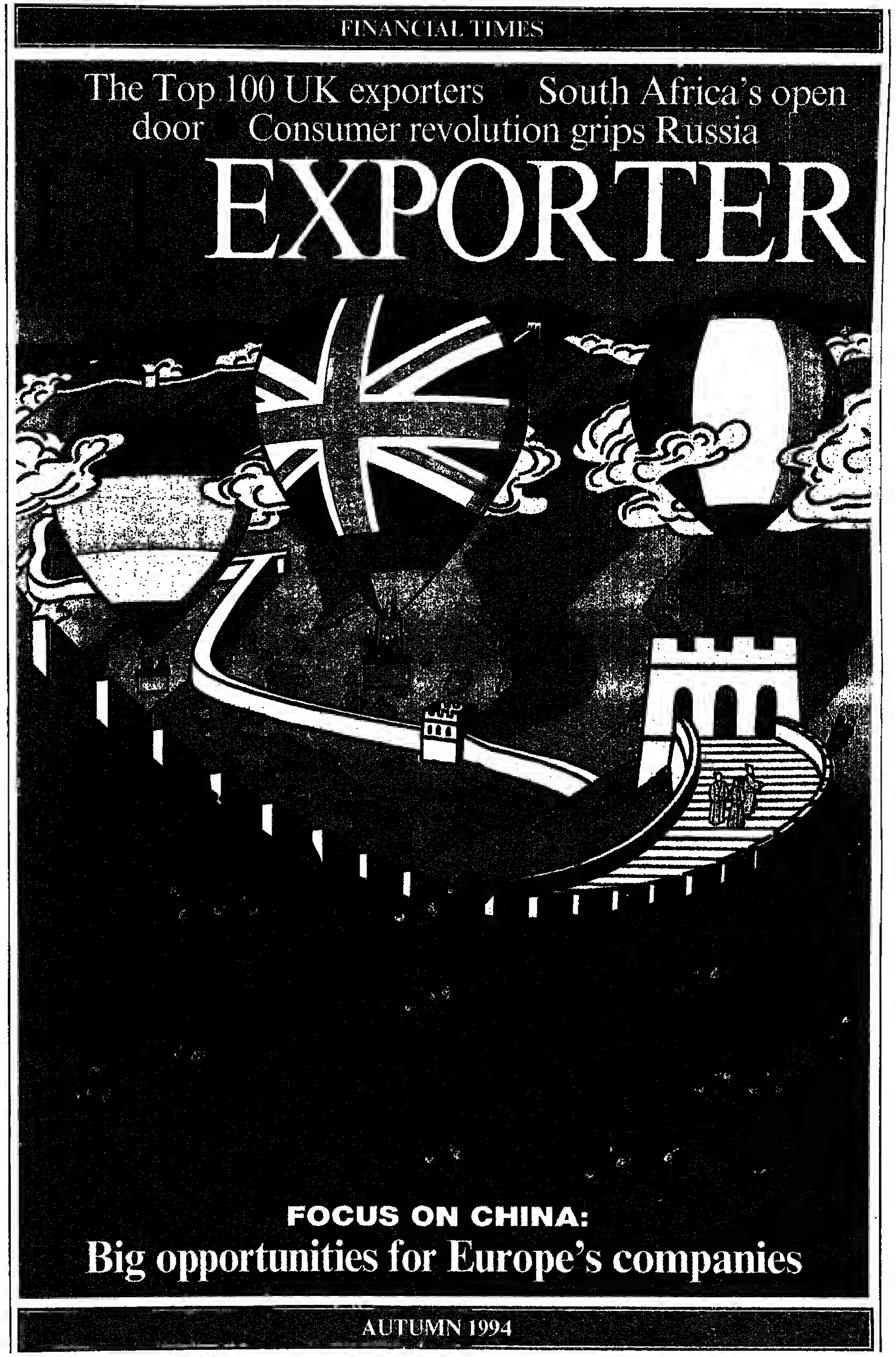

harmonised national databases of packaging data for the monitoring of targets, and clarification of who is going to be responsible for the handling of waste packaging. packaging become available, but that costs involved.

In this survey

This year's winners and losers: pages 22-23

Johannesburg's open door: page 16

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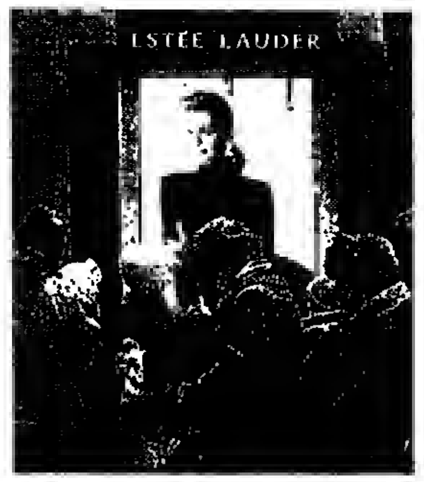

Russia's consumer revolution: page 10

THE NEXT ISSUE
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GUEST COLUMN

Pressures will rise

Harry Groen looks at the competitive challenges facing the European credit insurance industry

Europe's credit insurers face unprecedented changes in their business over the next few years: the industry is continuing to consolidate; former national champions now have to face competition in their home markets; in turn they are attempting to enter foreign markets.

The bigger companies are investing large sums in technology to turn their vast stores of data into immediately accessible information. This brings the advantage of greater speed for their customers, and better risk management and accurate pricing for the insurers.

Competitive pressures will also increase, not abate, and the process of consolidation will continue, until Europe has only a relatively small number of large international credit insurers.

These groups will have to develop their existing skills to cope with the new competitive pressures; they will also have to invest unprecedented amounts in data manipulation, in information technology and in human resources. For credit insurance, the challenge is not so much re-engineering as re-schooling. The core curriculum will be the three Rs: recession, regulation and reinsurance.

Recession has always been a factor in credit insurance, which is in itself a cyclical business. When the economy grows, payments are made easily and credit insurance – too often regarded as a palliative against fear rather than a tool of financial risk management – is ignored. As recession hits, customers default and bad debts mount.

Even more dangerously, after the recession has touched bottom, companies are tempted to over-trade as recovery appears, often with disastrous results. Despite these difficulties, however, the pattern used to be fairly straightforward for a domestic credit insurer working in its home economy.

The current recession has been very different and the exposure of the insurers is now international.

There is a further implication for companies as they trade out of recession and into recovery. Barriers to trade within the EU (and, to a lesser extent, internationally as a result of the successful conclusion of the Gatt talks) have fallen, thus creating an intermediate category between domestic and export sales, with the result that companies may be tempted to over-trade in possibly still dangerous external markets and to multiply the risks they face.

The regulatory environment will also present challenges to the credit insurance industry. Regulation both leads and lags commercial reality in different ways. Current levels of competition in the market are the result of a sort of deregulation laid down by the EU's directives on insurance.

These have allowed commercial competition across borders and have outlawed direct government intervention. Among the consequences has been the privatisation of the short-term Insurance Services Group (ISG) of the British government's Export Credits Guarantee Department (ECGD).

The ISG was an anomaly among EU members where commercial credit insurance is usually in the hands of a joint stock company responsible to its shareholders.

Harry Groen: consolidation will continue

The EU's encouragement of competition has been welcomed by customers. A British company, for example, can choose its policy from a number of insurers and obtain the right balance of premium and terms and conditions. Insurers, too, welcome the level playing field across Europe and the opportunities it brings. But there are concerns that the European Commission's most recent proposals may be placing insurers in a possibly inappropriate strait jacket.

The points at issue are usually called Callut and Tuffrau after the names of the man and woman respectively who have headed up the Commission committees examining short-term credit insurance and medium-term export credit (a combined mechanism of insurance and banking to support large projects).

The Callut deliberations have concerned the nature of public and private involvement in credit insurance in covering commercial and political risk. There is widespread agreement that commercial risk (bankruptcy, say, or protracted default) is properly the responsibility of the private sector, but political risk (ranging from the non-availability of convertible currency to war) has provoked different arguments.

NCM Credit Insurance, the British arm of the NCM group, insures both types of risk, with the help of a small top-up contribution from the British government intended to cover the gap until the private market is mature enough to assume the whole risk.

The Tuffrau proposals are of less direct importance to the credit insurance industry as such and have much greater political significance. In practice, many EU countries (including the Netherlands) use their private insurers to administer the medium term export credit system.

The differences are most stark between the British and their continental colleagues. The UK, through ECGD, gives a full guarantee on export credits. Other governments limit their exposure through the insurance mechanism.

Reinsurance is, in simple terms, a way for insurers to protect themselves by passing on a proportion of their premium income in return for the reinsurers' assuming a similar proportion of the risk. It also enables the primary insurers effectively to borrow the capital of the reinsurers and thus write more business than their own capital would support.

The difference between commercial and political risk has an impact on the suppliers of reinsurance capacity: some reinsurers are enthusiastic providers on the combined treaties of NCM Credit Insurance, while others prefer to adopt a more conservative stance.

These three Rs affect all credit insurers and, as competition and consolidation continue, their response will determine which of them will be writing business in the next century – and which will be no more than eminent names with proud histories.

Harry Groen is chairman of NCM Holding NV, Amsterdam.

UK EXPORTS PROMOTION

The sceptics have been won over

Anne Counsell looks at the work of the UK's 'export ambassadors' recruited from industry to share their knowledge and expertise of overseas markets and to provide independent advice to exporters

Enthusiasm is often infectious – and in the case of the UK's Department of Trade and Industry's Export Promoter Initiative, it is also producing profitable results.

Exporters are traditionally sceptical about government plans to boost trade, but they are slowly being won over by the initiative. There have been over 8,000 contacts between promoters and companies since the scheme got under way 18 months ago and, although success is quantitatively difficult to measure, the gap between Whitehall, business and industry has narrowed palpably.

The link has been forged by 101 "export ambassadors" recruited from industry to share their experience, knowledge and expertise of overseas markets and to provide independent, impartial advice. Seconded for two years from the ranks of the UK's top companies, the promoters present an "exporter friendly" and personal front to the administrative and desk operations of export promotion.

Mixing metaphors, the promoters' aim "is to be a 'bridge' ... going out to bat for business in the market."

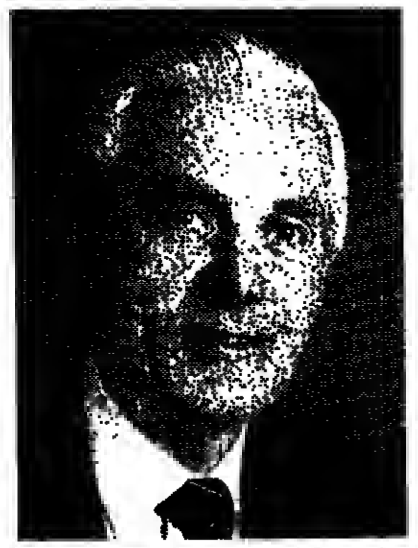
"I see myself as a marketing arm," says Mr David Allen who has an accumulated 37 years of experience in the Middle East and Africa. On secondment from Glaxo Holdings with 16 years experience as sales director in the region, he was previously with Roche Products for 21 years. Mr Allen enthuses about the scheme, the diversity of his work and the opportunities for British business in the Middle East.

He recently spent a day discussing the prospects of selling second-hand machine tools to Yemen and the supply of Cotswold stone for a mosque under construction in Oman.

"I thoroughly enjoy my work," he says. "When you are in a particular sector, you can become in danger of knowing more and more about less and less. Now I have a broad brush."

Beds are a favourite topic: he has been actively involved in a project to franchise the manufacture of branded beds in Bahrain, a venture which illustrates the difficulty of measuring "results" in terms of numerical targets – "there's a limited time to achieve so much," he says, noting that large or complicated projects and ventures require months of preparatory work before fruition.

The value of personal contact cannot be over-stated, he notes, adding that this is particularly important in the Middle East where social meetings and informal discussions are an integral part of the business environment.



David Allen: widely experienced sales director

James Lawday: an expert on Middle East trade

This view is echoed by Mr James Lawday, whose promotion patch covers Egypt, Lebanon and Syria – familiar turf from his 15 years in the Middle East for John Laing International before his secondment to the promoter programme.

He has dealt with over 400 companies since joining the initiative 18 months ago and has been encouraging British companies to increase their efforts in Egypt, Syria and Lebanon.

UK companies have been slow off the mark in getting into Lebanon, he says, although there are considerable opportunities in the reconstruction of the devastated country, notably in contracting, installation and procurement.

In Syria, Mr Lawday notes there has been a considerable change in the business climate – "the country is much more warm and welcoming to business than previously," he says.

"There are many more opportunities for the private sector as the government has been encouraging private money to return to the country."

He has focused on medium to smaller businesses and covered an array of sectors. This is exactly what the scheme was set up to do on the practical level, dovetailing with the DTI desk operations and information service in the UK.

Mr Justin Davies at the DTI Egypt desk in London co-ordinates with Mr Lawday, regional offices and commercial sections of British embassies abroad to provide exporters with every aspect of assistance.

The DTI country desks handle direct calls by new exporters and rarely refer them back to regional offices which can also be a first point of contact for companies seeking new markets.

The country desk provides information on a country and helps with agency and distribution agreements, background information on a country's economy, as well as advice on the possible pitfalls.

Mr Davies describes the system as providing one point of contact for exporters to tap into a wealth of contacts, information and assistance, noting that this more pro-active approach and specific targeting has given exporters clearer steers for their marketing efforts.

The DTI initiative covers the UK's top 80 markets which account for over 90 per cent of exports. Mr Ray Mingay, the director general of export promotion at the DTI, says the Exporter Initiative will be extended by rolling forward the programme and requesting companies to extend or renew their commitments to seconding staff. The DTI will continue to meet operating and travel costs of the promoters from its budget.

The prospect of extending the scheme seemed a less-than-remote possibility in the early days. Mr Mingay laughs when he recalls the initial scepticism over whether the initiative would get any, let alone enough, export promoters to join the scheme.

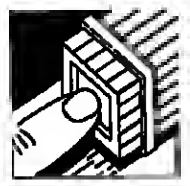
Describing the scheme as an "investment," he says the points of contact for business also include seminars, meetings and informal workshops.

☐ DTI contacts; Department of Trade and Industry, Exporter Promoter Unit, Room 919 Kingsgate House, 66-74 Victoria Street, London SW1E 6SW; tel; 071-215-8502, fax; 071-215-2866

ANALYSIS: EUROPEAN GROUP INITIATIVE

Spanish breakthrough in new markets

Tom Burns reports on progress by a conglomerate of companies in the Basque region of northern Spain



In late July, Icex, the export promotion arm of Spain's trade ministry, organised a technology fair in Beijing at which 184 domestic companies put their capital goods and machine tool products on show.

Danobat, a company specialising in the automotive industry, walked away from Icex's Expotecnia fair with a $16m order to supply machinery for a joint venture car plant in China that is planned by Japan's Suzuki group.

Early next year Fagor, a household white goods manufacturer, will open a plant near Casablanca, Morocco, that, with an initial investment budget of $6m, will manufacture 80,000 fridges a year for the North African market.

Danobat and Fagor both form part of Mondragón Corporación Cooperativa (MCC), a conglomerate umbrella for 102 worker-ownership companies based in the Basque region of northern Spain. The two of them adhere to the industrial democracy and profit-sharing ideals that for the past 40 years have guided the fortunes of the Mondragón movement.

What they also have in common is the strong export culture, and an incessant search for new markets, that fuels much of Basque industry, the back-up of a highly regarded applied research centre run by MCC that helps to tailor products to clients and the supportive backing of a tightly managed, profitable and far-seeing parent company. Danobat supplies mature automotive markets in Europe, particularly in Germany and France, where its sales to Volkswagen, Renault and other car manufacturing groups account for well over half of the company's $110m annual turnover. Emerging markets, and specifically China, are now poised to become a big earner for Danobat, according to Mr Pedro Corral, the company's export manager.

"Earnings from China should double to $30m very quickly," says Mr Corral. Supplying the planned Suzuki plant in China was a breakthrough for Danobat for it had had only minor links with the Japanese and it is now bidding to supply established Danobat clients such as VW and Peugeot who are also seeking to break into the Chinese market.

Fagor, the flagship of MCC's industrial empire, with annual sales of $173m, exports 35 per cent of its production. Its move into Morocco is the most ambitious foreign investment to date by a domestic appliance group that is likewise no stranger to overseas ventures; Fagor already boasts an electronic unit that assembles semi-conductors in Thailand and a plant in Mexico that produces components for household goods.

Mr Jesus Ginto of the MCC parent says the Moroccan fridge plant near Casablanca could turn out to be a mere bridgehead for other important business initiatives in North Africa.

If the initial investment brings rewards, Fagor will be expanding into washing machines and water heaters. Already it has transferred its home-grown technology in both products to Argentina and to Colombia in Latin America.

Several factors lie behind the assault by both companies on the emerging markets. The most important is the resources that they are able to draw on through the MCC group.

The Ikerlan applied research faculty, at the MCC's nerve centre in Mondragón (in the case of Danobat, the centre is complemented by the capital goods company's own high tech development unit) is of key importance, but it only partially explains the export success story.

MCC officials stress the added value of the cooperative movement's engineering and business schools which are likewise located at the Mondragón nucleus and provide a constant stream of highly qualified candidates, up to 80 a year, for the corporation's expansion.

In their quest to develop an export culture, the schools recruit instructors from other European centres, encourage students to participate in exchange programmes, particularly in the UK, and place a high priority on language skills.

Separate tuition courses, adapted to the needs of MCC's different components, provide back-up training for the corporation's executives. Danobat clinched its Suzuki deal at the trade fair organised by the government's Icex export agency.

"Expotecnia was able to show that Spain is not just sunshine, flamenco and fighting bulls," says a Danobat manager – and the company concedes that it is well covered, as it takes on its European competitors, by Spain's CSCE export credit insurance.

But the consensus is that any company that places great store by official export aid will fail to bring in the contracts.

By the same token, a competitive currency, as is the peseta which was sharply devalued after 1992, can only provide a degree of support. In the case of Danobat, the currency was a neutral issue as the company imports components for its capital goods equipment.

The edge when breaking into competitive emerging markets comes in the sure-fire combination of price plus quality plus service and for Spanish companies there is a clear challenge in demonstrating the last two items in the well-tried formula.

Danobat has worked hard at the Chinese market over the past four years. It has teams of home-side sales people, drawn from its 60-strong marketing staff, spending four to five week periods in relays in China working with locally hired staff to attend existing clients and to search out new ones.

Fagor's break into Morocco drew on the resources of a specialised MCC unit that scours emerging markets for joint venture opportunities.

harmonised national databases of packaging data for the monitoring of targets, and

clarification of who is going to be responsible for the handling of waste packaging.

packaging become available, but that costs involved.

From the beginning of next year, world trade is to be overseen by a new institution, the World Trade Organisation. Forget, for the moment, the fact that a successor to Mr Peter Sutherland, outgoing Director General of the General Agreement on Tariffs and Trade, has still to be found. Ignore nagging doubts about whether the Uruguay Round will be ratified. Despite everything, it is far more likely than not that the US and European Union will resolve their internal difficulties and ratify the outcome of their seven years of hard labour.

What sort of trading scene will the new body have to deal with?

The starting point is the outcome of the Uruguay Round itself. The most complex and ambitious trade negotiation ever attempted, its completion was a remarkable and, on balance, hugely beneficial achievement. The commitment to bringing virtually all aspects of world trade under a single umbrella is particularly important. Gone is the special status granted for 33 years to textiles and clothing; gone is the virtual exclusion of agriculture from international disciplines; gone also is the purely *ad hoc* approach to the liberalisation of trade in services.

Perhaps most important of all, there is now an integrated and more effective system of dispute settlement, something required by any effective international agreement of this kind. Nor should the trade liberalisation aspects themselves be ignored. There is, for example, a significant reduction in the level of tariffs: the average developed-country tariff on industrial products will fall by almost 40 per cent – from 6.3 to 3.9 per cent. Large reductions in developing country tariffs are also planned

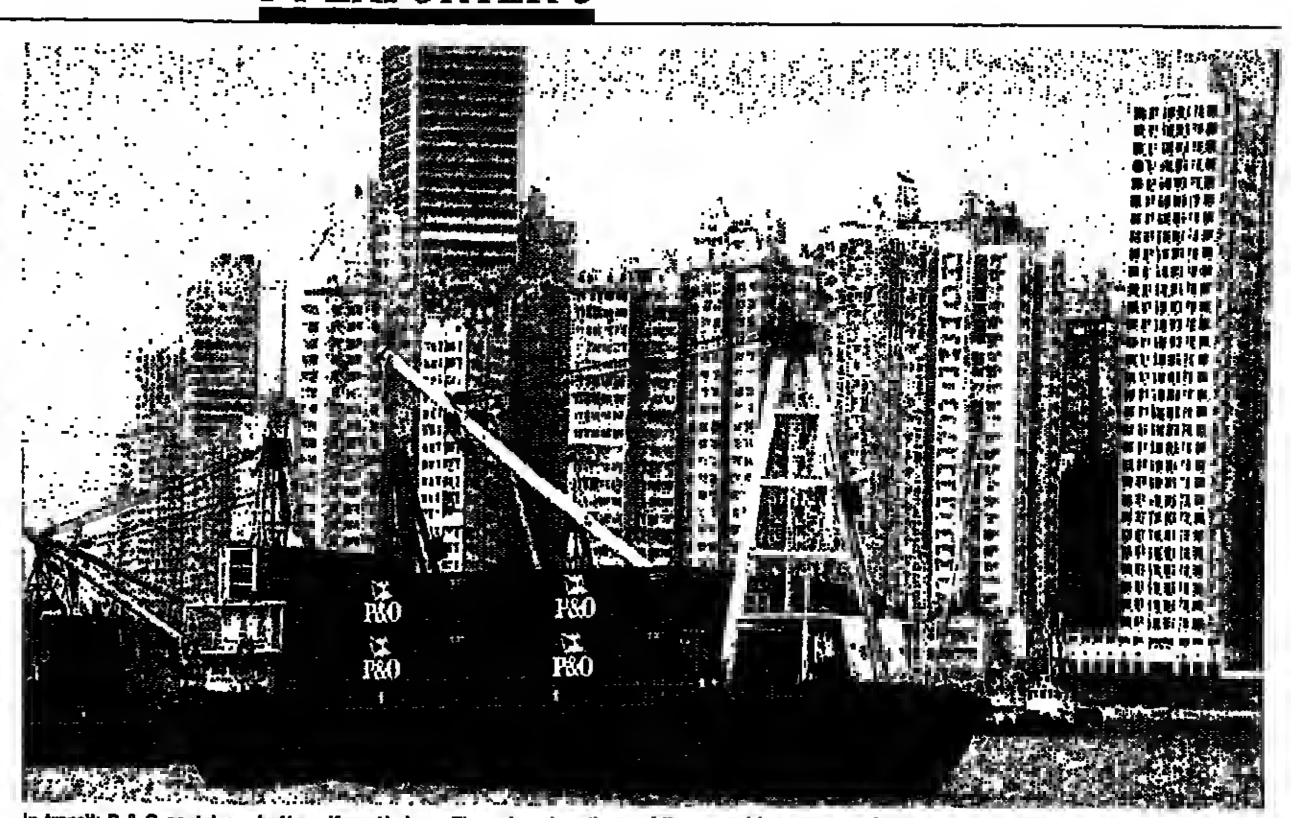
For all that, as Brian Hindley of the London School of Economics points out in a review of the round, it leaves some important problems in its wake.* Among them are:

- The potential for confusion if some countries choose to be members of the original Gatt (Gatt 1947), but not the WTO, while others choose to be members of the WTO, but not Gatt 1947.
- The weak obligations in the General Agreement on Trade in Services and the limited nature of the commitments to trade liberalisation in services.
- The possibly deleterious effects on the developing countries of the strong protection afforded to intellectual property.
- The very limited nature of the liberalisation of trade in agriculture.
- The long delays in liberalisation of trade in textiles and clothing, which is to be completed only by 2005, with most of the meaningful liberalisation postponed until the last few years.
- And, above all, the limited significance of the decision to tighten up on "grey area measures," such as voluntary export restraints, particularly given the failure to discipline the use of anti-dumping measures as a protectionist device.

The global policy-making community must, however, do more than cope with what the Uruguay Round failed to do. Already there is a new agenda. One element in it is trade and the environment, on which a committee was established at the ministerial meeting in Marrakesh in April. Another issue being pushed by the Clinton administration, with French support, is trade and labour standards, a topic as controversial – and potentially as threatening, particularly from the developing country point of view – as trade and the environment.

Also being discussed as potential topics for inclusion in future negotiations are trade and competition policy and, still more tentatively, the treatment of investment. In addition, the WTO must negotiate membership for China, Russia and other former states of the Soviet Union.

All this is the visible face of trade policy.



In transit: P & O containers in Hong Kong Harbour. The colony has the world's second largest container port. China is now Hong Kong's biggest trading partner – around 70 per cent of its manufacturing industry has moved to Guangdong and other southern Chinese provinces *Pictures: Sarah Murray*

New agenda for world trade

Martin Wolf examines prospects for world trade after the Uruguay Round – the most complex and ambitious trade negotiation ever attempted

Underneath it, there are two contrasting trends. Developing countries – long addicted to protectionism, demands for "special and differential treatment" and non-reciprocity – have been liberalising their trade barriers, both unilaterally and within the context of the Uruguay Round, as is also true of former members of the Soviet bloc.

More than 60 countries notified the Gatt secretariat of unilateral trade liberalisation during the course of the Uruguay Round. While these were mainly developing and former communist countries, their number included hitherto-protectionist Australia and New Zealand.

Such liberalisation has made trade from – and to – the more outward-looking developing countries the most dynamic single element in world trade. Between 1981 and 1992, world trade grew at an average annual rate, in real terms, of 5.2 per cent (itself above the rate of growth of world output). But imports of developing countries in the East Asia and Pacific region grew at 7.8 per cent a year, while their imports from one another grew at the still more dramatic average rate of 14.9 per cent a year.

For much of the 1980s, the Latin American developing countries were relative laggards. But signs of faster growth began to emerge there, too, in the 1990s, in response to policy reform. Thus the volume of regional exports rose by 7 and 9.5 per cent in 1992 and 1993, respectively, while the volume of imports went up by 18 and 8 per cent.

Developing countries are looking increasingly outward, so following the advice long showered upon them by advanced industrial countries. Meanwhile, many in the latter have become increasingly dubious about the entire idea. During the course of the Uruguay Round, there emerged powerful protectionist pressures in industrial countries, as unemployment soared in Europe and the real wages of unskilled labour fell in the US. The influence of Mr Ross Perot in the last presidential election is one symptom of this development. The agitation against the Gatt in France is another.

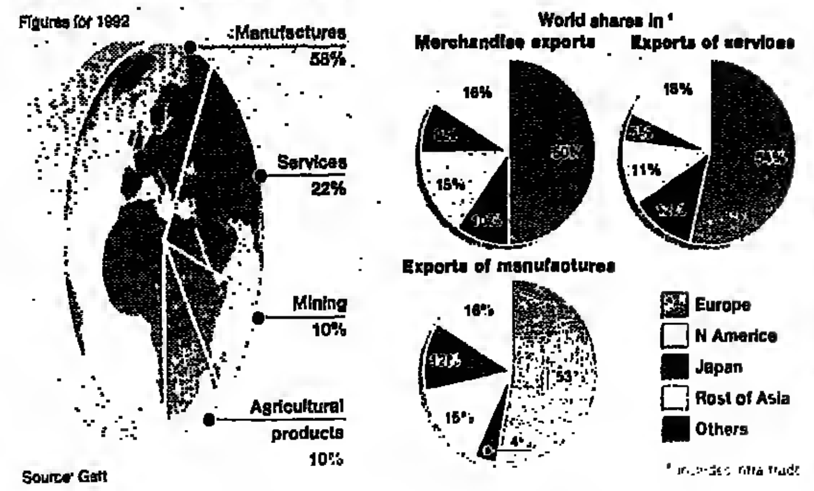
LOOKING AHEAD: The ability of the industrial countries to adjust to emerging giants, such as China and India, must be in question. If they fail, protection would probably be the outcome.

The academic literature on the effect of trade on wages and employment is vast and hitherto somewhat inconclusive. Most authors would agree that changes in technology have been more important for the demand for unskilled labour than imports from developing countries. But the ability of the industrial countries to adjust to the emergence of giants, such as China (already the world's 11th largest exporter) and India, must be in question. Should they fail, protection would probably be the outcome.

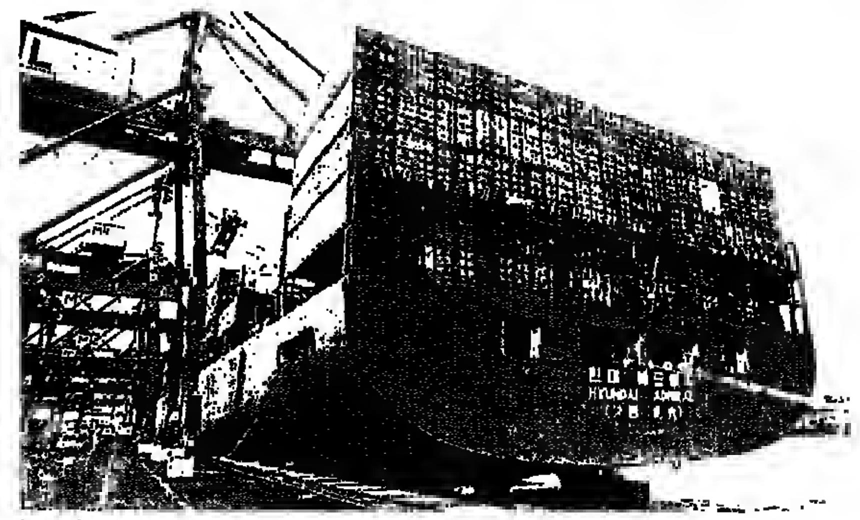
This would then endanger the achievements of the Uruguay Round and even the WTO. Things would be still worse if, as seems plausible, the developing countries were to respond in kind. But if the pressure were to be resisted, the prospect for dynamic growth of exports to developing and former communist countries should be a golden one. This could even prove the start of an epoch of trade expansion as dynamic as that of the 1950s and 1960s.

Brian Hindley, "Two Cheers for the Uruguay Round," in Hindley and Deepak Lal (eds), Trade Policy Review 1994, (London: Centre for Policy Studies, 1994).

Structure of world trade



Source: Gatt



Vessel being loading at Kwai Chung container terminal, Hong Kong

PRIVATISATION: IMPACT ASSESSMENT

A new way to do business

The liberalisation of national trading regimes has provided the impetus for exporters to acquire fixed assets in their target markets, where previously they were content only to ship goods in pure trade transactions.

Alan Spence and **Jon Marks** report

Freighters at Manaus, Brazil: across Latin America the liberalisation of national trading regimes has given new impetus to exporters to acquire fixed assets in target markets *Picture: Ashley Ashwood*

The privatisation fever which has increasingly gripped developing and former command economies has had more profound consequences for exporting outside the OECD region than even the global debt crisis of the 1980s. In Latin America, Asia and eastern Europe, multinational companies and small and medium-sized enterprises must deal with clients with private sector perceptions and problems, rather than the state procurement agencies and distribution companies which dominated in centralised economies.

"The chief feature of privatisation regarding trade is that the channels of supply have changed," says Hans Peter Laukes, an economist with the European Bank for Reconstruction and Development.

The privatisation of public companies and the introduction of market rules to formerly state-dominated economies has also resulted in investment following trade in regions such as Latin America. The liberalisation of national trading regimes has given new impetus to exporters to acquire fixed assets in target markets, where previously they were content only to ship goods in pure trade transactions.

This has the advantage of securing important markets and may provide a regional base for exporting from within the target market to neighbouring economies.

Procter & Gamble, for example, has established manufacturing and sales operations in Venezuela, Argentina and Brazil.

Bolivia, Paraguay, Uruguay and Ecuador are serviced from these countries, says Bill Dobson, a P&G executive – "we can sell into these markets primarily because of their size, and we can now handle their needs from Argentina and Brazil."

The emerging business classes of newly industrialising countries also see the benefits of the private way of doing business. In Argentina, an enthusiastic privatiser, privatised companies claim to be paying some 30 per cent less for their inputs, compared to the levels paid by their former public sector managements.

The experience of privatisation has political ramifications, in some cases weakening governments' ability to wield the trade weapon in disputes as in the past. The Malaysian boycott of British goods over the Pergau dam affair was arguably weakened by the sanctions being applied only to public sector contracts.

During the decade or so of IMF and World Bank-sponsored structural adjustment, many governments have been reluctant to follow the privatised trade route. But the number of converts has risen sharply with the realisation that only by promoting private business could budget deficits and debt burdens be realistically reduced and economies become more competitive.

In sectors such as telecommunications, the need to keep pace with rapid technological advances has forced the pace and opened markets to multinationals. This is now seen as an essential trend even without the multilateral pressure to liberalise from the General Agreement on Tariffs and Trade (Gatt) and other organisations.

The scale of demand for infrastructure in newly industrialising economies means that private projects are becoming as important as public sector schemes in many such countries. As a result build-operate-transfer (Bot), build-operate-own (Boo) and other private alternatives to sovereign financing for projects have begun to take root.

Not long ago, private projects such as the 1,230-MW Paiton power plant in Indonesia – costing \$1.8bn and financed by a consortium of international banks and lending organisations – would only have been carried out by the state.

There are pitfalls associated with the break with well-established patterns in financing exports. In many difficult markets, obtaining financing is far from easy and the intervention of multilateral and state agencies remains essential.

Private capital "continues to exhibit great reluctance to provide regular access to the likely amount of finance needed," to fund exports to many developing markets, according to a draft report presented to Congress by the Export-Import Bank of the US (Eximbank), this summer. Consequently, the report concluded, "the need for Eximbank seems to be expanding."

Among the problems to be confronted selling into emerging economies with growing private sectors are the following:

☐ *Assessing risk may be more difficult:* Securing export credit agency (ECA) guarantees and commercial credits is more complicated in regions such as eastern Europe, where business was traditionally transacted with public sector buyers backed by state guarantees.

Judging the credit-worthiness of new banks and buyers can be problematic when western banks generally like to see five years of accounts, audited to international standards.

"We attend conferences where we applaud eastern Europe for opening up to private business and we send people to help them develop their new private banks," says a senior European banker says. "But outside a few places like the Czech Republic, what we're talking about is much greater risk than we knew when there was one Vneshekonombank, the former Soviet Bank for Foreign Economic Affairs, one ministry responsible for procurement – and you knew just who to talk to. Now we are unsure of the commercial risk; we don't know the banks and, in some cases, the mafia is running the country."

☐ *The rapid increase in privately funded projects:* The advent of Bot-type schemes calls for new financing instruments. Multilateral agencies, ECAs and banks have had to adapt to tap markets which are seeking private projects without recourse to the traditional sovereign guarantees.

The UK's Export Credits Guarantee Department (ECGD) is among ECAs which are introducing a new generation of products, such as the recently revamped overseas investment insurance scheme (OIIS) and an expanded project finance facility, which can now provide similar levels of cover as those made available for the buyer credits allocated to capital goods exports.

Such is the increase in demand that ECGD insured as much investment in the first three months of the 1994/95 financial year as in the whole of the previous year. But it is not just in the buyer countries that western companies are having to adjust to privatisation and a reduced role for the state.

Political considerations and state support remain factors in securing prestige contracts, but increasingly capital goods exporters and contractors do not have the same access as before to official credits for commercial projects and trade facilities, such as short-term export credit insurance.

This is because the private market now provides most credit insurance support in the UK, where more than 10 insurers, including some of Europe's biggest companies, now offer facilities.

This trend is set to continue. The OECD has announced new measures to consolidate the so-called Helsinki rules, introduced in 1992. These aim to further separate commercial financing from aid. This involves measures such as abolishing remaining subsidised interest rates and linking the maturities of credit repayments to countries' economic performance (with only the poorest countries benefitting from the most extended terms).

Further work is planned by the OECD, the European Union and other agencies to further harmonise export credit practices and better regulate the use of export credits for agricultural products.

Alan Spence is editor of International Trade Finance, a bi-monthly newsletter published by Financial Times Business Enterprises. Jon Marks is associate editor, International Trade Finance.

Exporters' diary: leading UK trade missions to March 1995

■ ASIA PACIFIC:
☐ 8-22 October 1994: Singapore/Indonesia: Sheffield & Rotherham Chamber of Commerce & Industry.
☐ 14-21 October 1994: Thailand: Birmingham Chamber of Commerce & Industry.
☐ 17-20 October 1994: Taiwan: Wolverhampton Chamber of Commerce & Industry.
☐ 22 October - 5 November 1994: Japan (Osaka/Tokyo): Birmingham Chamber of Commerce & Industry.
☐ 24-28 October 1994: Hong Kong: Nottinghamshire Chamber of Commerce & Industry.
☐ 14-19 November 1994: Japan: Scottish Council for Development & Industry.
☐ 14-19 November 1994: Philippines: London Chamber of Commerce.
☐ 14-25 November 1994: South Korea/Thailand: Ipswich & Suffolk Chamber of Commerce, Industry & Shipping.
☐ 21-25 November 1994: Vietnam: South of England Exporters' Association.
☐ 21-25 November 1994: Hong Kong: Northern Development Co.
☐ 16-20 January 1995: Malaysia: Northern Development Co.
☐ 23-27 January 1995: Hong Kong: Scottish Council for Development & Industry.
☐ 29 January - 3 February 1995: Japan (Osaka/Tokyo): Nottinghamshire Chamber of Commerce & Industry.
☐ 8-10 February 1995: South Korea: Wolverhampton Chamber of Commerce & Industry.
☐ 10-19 February 1995: Thailand: Staffordshire Training & Enterprise Council.
☐ 9-10 March 1995: Thailand: Leeds & Bradford Chamber Services.
☐ 9-17 March 1995: Hong Kong/Philippines: Birmingham Chamber of Commerce & Ind.
☐ 9-17 March 1995: Malaysia/Singapore: Ipswich & Suffolk Chamber of Commerce, Industry & Shipping. This mission will include a specialist group for the construction products and building sector.
☐ 15-19 March 1995: Taiwan: Sussex Chamber of Commerce & Industry.
☐ 20-31 March 1995: Hong Kong/Japan: N. Ireland Chamber of Commerce & Industry.
☐ 27-31 March 1995: Hong Kong: Coventry & Warwickshire Chambers of Commerce & Industry.
☐ 27-31 March 1995: South Korea: Medway Chamber of Commerce.
☐ 27-31 March 1995: Thailand: Scottish Council for Development & Industry.
■ SOUTH ASIA:
☐ 28 November - 9 December 1994: India: Northern Development Co.
☐ 11-22 February 1995: India/Malaysia: Bedfordshire & District Chamber of Commerce & Industry.
☐ 20-24 February 1995: Sri Lanka: London Chamber of Commerce & Industry.
☐ 20-24 March 1995: India: Manchester Chamber of Commerce & Industry.
■ AUSTRALASIA:
☐ 14-19 November 1994: Australia: North Staffordshire Chamber of Commerce & Industry.
☐ 20-24 February 1995: New Zealand: Nottinghamshire Chamber of Commerce & Industry.
☐ 18-24 March 1995: New Zealand/Australia: Birmingham Chamber of Commerce and Industry.
■ MIDDLE AND NEAR EAST, NORTH AFRICA:
☐ 23-27 October 1994: Dubai: The British Bid, London.
☐ 18-29 November 1994: Saudi Arabia: Birmingham Chamber of Commerce & Industry.
☐ 21-25 November 1994: Cyprus: London Chamber of Commerce & Industry.
☐ 29 November 1994 - 5 December 1995: United Arab Emirates: East Mercia Chamber of Commerce & Industry.
☐ 9-9 December 1994: Egypt: Dorset Chamber of Commerce & Industry.
☐ 21-30 January 1995: Saudi Arabia: South of England Exporters Association.
☐ 23-27 January 1995: Turkey: London Chamber of Commerce & Industry.
☐ 16-23 March 1995: Saudi Arabia/Yemen: Bristol

Continued on page six

Bartering is a way of life in central Asia

Kazakh wool deal

Continued from facing page:

making further equipment deliveries to Kazakhstan.

The other essential component of the deal was selling the wool – into a market very familiar to Clendon, thus avoiding the cost of employing outside traders.

The principal destination for the Kazakh wool was China. However, there were further profitable twists to the deal, says Mr Ebbage, including adding value to the wool in the UK before re-exporting. The wool was graded and put through combing machines in the UK to add value to the product before it was shipped to China.

Moreover, the Kazakh company's insistence that Clendon should also take a proportion of the barter payments in local karakul wool in addition to prime merino wool, also provided Clendon with another commercial opportunity.

A dark grey product with very limited use, karakul is used mainly in carpets and blankets. Clendon sold karakul in the west and in India. But, again, this added value to much of this product, generating a healthy return, according to Mr Ebbage.

The product came west through Poland, where Clendon began working with a Polish blanket manufacturer – "we've just sold 25,000 karakul blankets to the Polish state," says Mr Ebbage. "Many are also being purchased by the humanitarian aid agencies; Oxfam bought 30,000."

"The deal with Tulpar worked well because we always tried to keep ahead of the game," he adds. "We hope that now our banks have seen this success, they will be more positive in the future."

Meanwhile, the company is setting up similar deals: in Kazakhstan, it has begun bringing out further supplies of wool against the supply of around \$4m (£2.5m) worth of wool combing and spinning equipment of UK origin. As the deal progresses, Clendon will also take Kazakh cattle hides and sheep skins as payment. In addition, it is planning an agreement to supply another \$3m wool-washing plant to an enterprise in southern Russia.

CASE STUDY: ASIAN BUSINESS PARTNERSHIP

East Devon targets the Philippines

Roland Adburgham on an unlikely venture launched from a Georgian country house hotel

In the unlikely setting of a Georgian country house hotel, on the banks of the river Otter in east Devon, an export drive has been launched on the Philippines.

It is a slightly improbable venture by the local business community. East Devon is a rural part of south-west England. Agriculture and tourism are leading industries; the largest town, Exmouth, has a population of 30,000. The Range Rovers and tractors in the region's green lanes are a world away from the exotic customised Jeepneys in the streets of Manila.

Manufacturing accounts for only 16 per cent of the east Devon workforce and, with a mere handful of local companies employing more than 200 people, south-east Asia has hardly featured as an export market.

The initiative, however, is serious. It is supported by East Devon district council and the local enterprise agency while Mr Jesus Tambunting, the Philippines' ambassador to the UK, is encouraging business links. Although it is premature to judge the value of the venture, the first contacts by Devon companies are being made.

The instigator is Mr Mike Connell, a London-born businessman who worked for two decades in the Philippines as the Pacific Rim regional director of an American welding group. He returned to England in the mid-1980s and has settled in east Devon with his Filipino wife and four sons.

During the recession, he found local businessmen complaining of the difficulty of exporting to continental Europe but unaware of the possibilities of the huge south-east Asian market. In particular, they did not realise that English was spoken in the Philippines which meant, for example, that sales literature did not need to be translated.

"People here didn't understand the east," he says. "Very few could tell me about the countries, and they were worried about the languages, distance and cost," he says. "I thought one could short-circuit this by offering a service to any company to help them to get into the market."

Last year, he set up a small consultancy and agency with the grandiose name of Global Exports, but concentrating on the Philippines as a gateway to south-east Asia.

"What has disturbed me with the Department of Trade & Industry is the lack of understanding of what small industry needs. The people in the DTI are good people and well-trained, but the gap is that there is no one who knows how to get out into the market place."

He contacted the local enterprise agency, East Devon Small Industries Group – "we discussed how to get the message across to people, and as a first step decided to hold a seminar last March." The Conservative-controlled East Devon district council backed the campaign and Devon & Cornwall training and enterprise council financed the seminar at the Deer Park Hotel, set in 25 acres of parkland near Honiton. As a result, Mr Connell flew to Manila with instructions to represent seven businesses, ranging from a language school to two engineering companies – "I decided to concentrate on joint ventures. In Asia, what they desperately need is knowhow – they don't need us to stick things in a container and ship it out to them."

He met with President Fidel Ramos and capitalised on the fact that "I'm on first-name terms with most of the ministers involved in exports." He is optimistic that orders or agreements will materialise for most or all of his clients.

The next step was an official visit to east Devon in July by the ambassador and vice-consul, which included a briefing by them for over 100 business people at the Deer Park Hotel and a dinner hosted by the council.

Mr Tambunting told the Devonians there were three good reasons for moving into or doing business with the Philippines: "The strategic location, the relatively low-cost of living, and the presence of a highly educated, hard-working and English-speaking labour force." The country, he said, wanted to lessen its own export reliance on the American and Japanese markets.

Mr Geoffrey Hulley, director of East Devon Small Industries Group, believes Devon companies should take advantage of the encouragement by the Philippine government. He sees it as "a marvellous opportunity for small businesses here to get a foothold."

How firm a foothold has yet to be seen. One of the companies represented in Manila by Mr Connell was Sheerspeed UK, an independent company employing eight people making industrial modular shelters and work tents.

Mr Maurice Smith, chairman and managing director, says: "There are a couple of companies willing to distribute our products there, although there is nothing concrete as yet, but we're always hopeful. The idea is to sell there first with the ultimate aim that our products would then be manufactured under licence."

Another company is Cardew Designs, which makes handmade collectable teapots and has grown rapidly to a turnover of £3m a year. It already exports 60 per cent of its products including to the Pacific Rim, though not to the Philippines. Mr Peter Kirvan, partner of Cardew Designs, says he is appreciative of the efforts and enthusiasm but also sceptical.

"I question whether the Philippines warrants the effort being put into it relative to other markets such as the US," he says. "I sometimes think the priorities are a little skewed. Shouldn't we be looking at the best potential target and focusing it that way?"

Meanwhile, funding is likely to be sought for a trade mission to Manila. Mr Bernard Hughes, chairman of East Devon council's economy and employment committee, sees the campaign as an imaginative way in which businesses can find new markets – "it's all about promoting and creating the climate in which small firms can prosper," he says. "When Mike Connell came to us with his expertise and the enterprise agency as a partnership, we were more than delighted to be part of it. We seem to be getting it right. It comes down to personalities and enthusiasm."

East Devon targets the Philippines

A new way to do business

COUNTERTRADE CASE STUDY

A way through the payments barrier

Jonathan Bell reports on a UK company's innovative wool trading deal in Kazakhstan

Dawn start: Kazakh shepherds lead their sheep to market

Picture by J.Lerager, Camerapress

Exporting to countries suffering a shortage of hard currency for imports is a perennial problem for both buyers and sellers.

However, one company, Bradford-based Clendon (UK), has found a way through the payments barrier by assembling an innovative countertrade transaction to facilitate the sale of wool processing equipment to Kazakhstan.

Countertrade is the umbrella term for barter, counterpurchase and other forms of reciprocal trading. It often requires patience and persistence in equal doses to make deals workable – and profitable.

Clendon has profited from working in a *niche* market that it knows well – wool processing equipment and wool trading.

Some countertrade deals can take years to negotiate and implement. However, in Clendon's case its deal to supply a US$3m wool-washing plant to Kazakhstan in exchange for wool, evolved relatively smoothly and swiftly.

Clendon recognised the requirement for wool-processing equipment in the southern republics of the former Soviet Union, and was equally aware of the availability of the required mix of new and re-furbished plant for export in the region.

The problem, though, was how to get paid. Banks in the UK and New Zealand, where much of the plant was to be sourced, were unwilling to provide appropriate trade finance, says Clendon's managing director Malcolm Ebbage.

"The normal UK banks wouldn't even look at the deal. In addition, the banks wouldn't even consider our wool stocks as collateral," he says. The only alternative was to go it alone – with a countertrade payment mechanism involving Kazakh wool.

The deal, for the export of plant totalling $3m (£1.90m), was signed in May last year with Kazakhstan's Tulpar Company. The plant, now delivered and constructed at Dzhambul, 350km west of Almaty, is expected to be fully operational by late October this year. The deal had the full approval of the Kazakh authorities who are keen to upgrade their industries and add value to raw materials. In addition, purchasing reconditioned equipment, allowed the Kazakhs to save on overall costs.

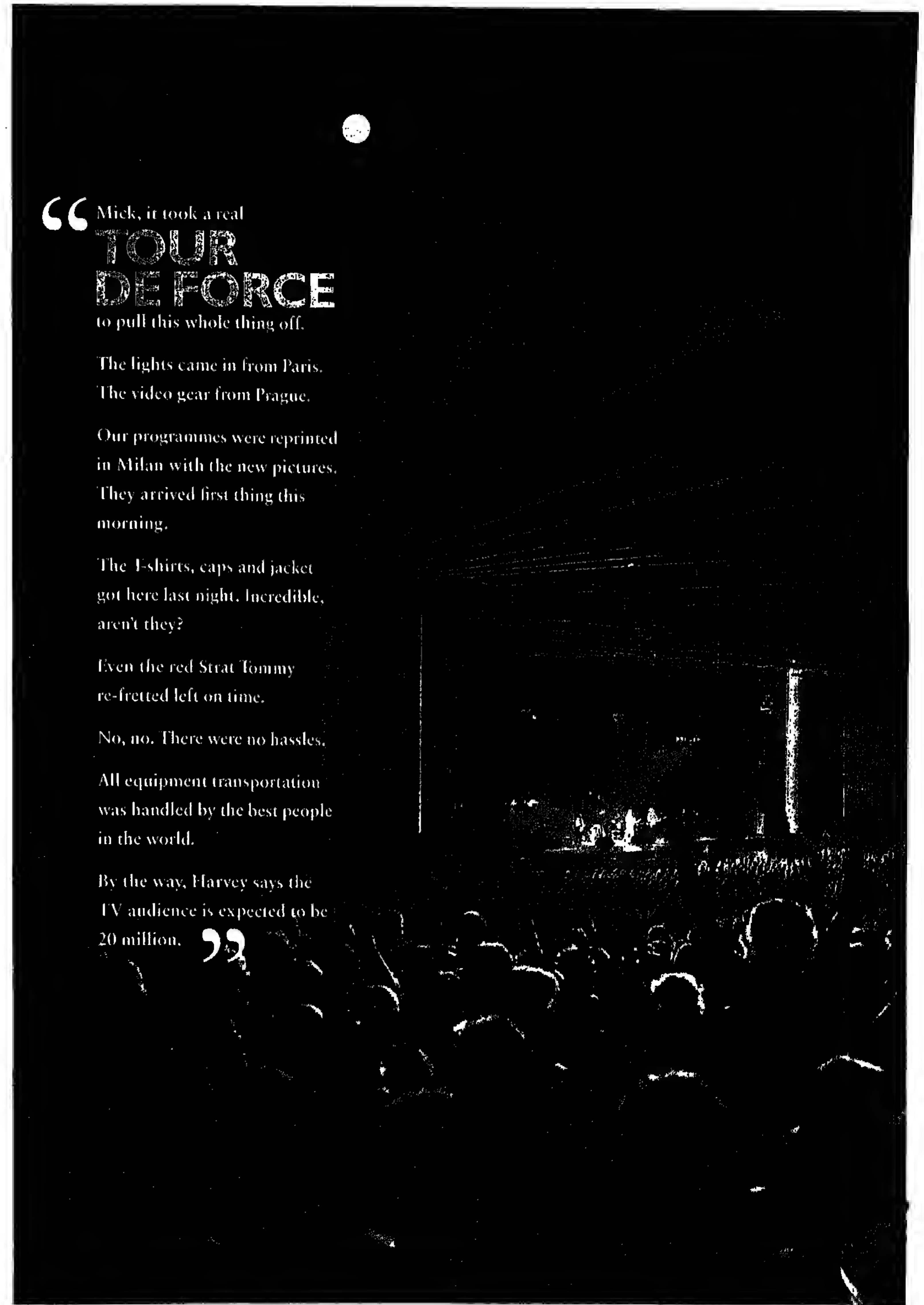
Clendon has been paid and all parties are satisfied with the way the operation has been structured. The success of this deal, in what is generally deemed a difficult market, has encouraged Clendon to develop similar transactions.

The washing plant equipment was predominantly second-hand and of New Zealand origin. It was brought to the UK for reconditioning and then exported to Kazakhstan. The new plant component of the contract comprised specialist effluent treatment equipment manufactured in New Zealand by a subsidiary of Sweden's Tetra-Laval Group. On the key issue of funding, Mr Ebbage comments: "We had to do it off our own bat." The company drew on its own limited financial resources, but, says Mr Ebbage, "crucially, we had a substantial volume of wool shipped out of Kazakhstan before we exported the equipment. After that, the deal was more or less self-financing."

The initial wool deliveries accounted for around 25 per cent of the contracted amount and facilitated the first equipment deliveries. Subsequently, Clendon made sure it received shipments of wool before

Continued on facing page

harmonised national databases of packaging date for the monitoring of targets, and clarification of who is going to be responsible for the handling of waste packaging. packaging become available, but that costs involved.



THE SINGLE MARKET

Europe: still a long way to go

Almost two years ago, Europe's single market was launched with high hopes and much goodwill. Today, a large measure of the initial enthusiasm remains, writes **Emma Tucker** in Brussels


Euro MPs debate in the European Parliament at Strasbourg, France. Despite the benefits the single market, various countries are still blocking goods from other member-states on often spurious grounds that 'safety' or 'technical standards' do not match Picture: Tony Andrews

Businesses in all 12 of the European Union's member-states are enthusiastic about the benefits that have stemmed from the dismantling of internal frontiers and the abandonment of customs controls. They report that delivery times have been cut sharply with delays at customs posts no longer part of a lorry driver's daily existence. Across the Union, exporters are taking advantage of the more liberal trading environment brought on by the 1992 initiative to ease trade moves into neighbouring markets.

Nevertheless, much remains to be done. Recently, in a bid to speed up the single market's completion, the European Commission took a close look at those member-states that had been slow to adopt all the harmonisation legislation crucial for the free flow of goods, services and capital within the market's frontiers.

Tables produced by the commission showed which member-states were helping to hinder progress. Germany, France and Holland, for example, had a poor record on adopting legislation on the harmonisation of pharmaceutical products from other member states: Greece, Spain and Germany were dragging their feet on insurance.

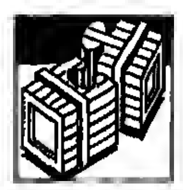
There has also been little progress with plans to create a single market in intellectual property. In this area, half the member-states have delayed adoption of the relevant directives. In company law, Germany, France Greece and Spain still have a long way to go before they have put all the relevant legislation on national statute books.

Secondly, the commission also decided to look at those areas where no harmonisation legislation applies but where the principal of "mutual recognition" of technical standards is supposed to ensure that pressure cookers made in Italy, for example, can be sold without obstacle anywhere else in the Union.

Their decision to do so went to the heart of a dilemma facing Europe's policy makers. In spite of the progress that has been made, countries are still blocking goods from other member states on the often spurious grounds that safety or technical standards do not match.

When the single market was first dreamt up, it was deemed unnecessary to harmonise standards in all commercial sectors. Standards in sensitive areas such as medicine, chemicals, cars and toys would be harmonised under legislation agreed by all 12 member-states. But for the bulk of goods and services mutual recognition was supposed to ensure that prams, lollipops, and electric light bulbs, for example, would circulate freely.

In practice, there have been endless hitches. A commission inventory of barriers to trade based on complaints from manufacturers shows that peas from Belgium, for example, came up against barriers in Denmark because of "classification problems and quality standards." The UK objected to radishes from Holland because of worries about a certain fly. Ceramic tiles from Greece have been barred from the French market because of "difficulties in obtaining type approval."



HARMONISATION: Exporters welcome the more liberal trading environment, but slow progress is being made on harmonising key commercial areas

Generally, the complaints tend to come from manufacturers in the EU's smaller member states who cannot get their goods circulated in the larger countries. A survey by the Danish ministry of finance produced a shockingly high number of complaints about remaining technical barriers to trade.

As a result, the commission is coming under pressure to produce more harmonisation legislation, particularly from the less powerful EU members such as Denmark and Spain to deal with those areas where mutual recognition is failing.

"There have been a lot of concerns from caravan makers," says a commission official from DG15, the directorate responsible for the internal market.

"We have had pressure to produce a directive over things like dimensions and the materials with which the caravans are made."

As a first step, a new commission proposal recommends a change to the way in which complaints are recorded. At present, the commission relies on manufacturers to keep it informed of what is happening at a grassroots level. Now it wants to switch the onus to the authorities who are doing the refusing.

In other words, any national authority that refuses a product from one country will have to notify the commission thereby providing Brussels with a more complete record of where problems are arising and where more harmonisation legislation might eventually be required. But as one commission official explains: "This rather simple proposal is running into all sorts of difficulties."

Some member-states – notably the UK – are very keen on the proposal. "It is something that we think is very important," says an official from the UK representation in Brussels. The French and Germans, however, have argued that there are so many examples of where one country is blocking another's goods that the proposal will spawn unnecessary bureaucracy.

Whether or not the member-states can reach a consensus on the proposal will only be known in October when relevant ministers meet again to discuss the single market.

Until then, and until the information has been gathered, the commission will continue to favour mutual recognition as a better, less cumbersome, route than legislation, partly because legislation is so costly, but also conscious of the fact that a directive on caravans, or peas would do nothing for the image of the meddling Brussels bureaucrat.

But if mutual recognition continues to be flouted by the Union's biggest and most powerful states, some countries, and many manufacturers, will step up pressure for more harmonisation. At that point, Brussels will have to decide how best to tackle the grievances of traders and decide whether or not more legislation is required to maintain momentum behind the single market.

Leading UK trade missions

Continued from page 4

Chamber of Commerce and Initiative.
□ 11-30 March 1995: Gulf States: South of England Exporters' Association.
□ 20-24 March 1995: Turkey: Wales Chamber of Commerce and Industry.

■ SUB-SAHARAN AFRICA:
□ 24 October - 4 November 1994: Ethiopia/Uganda: London Chamber of Commerce and Industry.
□ 21-25 November 1994: South Africa: Scottish Council for Development and Industry.
□ 6-15 December 1994: Eastern Province of Saudi Arabia: London Chamber of Commerce & Industry: oil and gas sector only.
□ 13-17 February 1995: South Africa: North West Export Co.

■ CENTRAL AND EASTERN EUROPE:
□ 19-19 November 1994: Romania: London Chamber of Commerce & Industry (and CBI).
□ 4-9 December 1994: Slovenia: London Chamber of Commerce & Industry and CBI.
□ 4-9 December 1994: Poland: Kent Chamber of Commerce & Industry.
□ 6-16 January 1995: Baltic Republics: London Chamber of Commerce & Ind./BSCC.
□ 6-10 March 1995: Hungary: Derby & Derbyshire Chamber of Commerce & Industry.
□ 19-17 March 1995: Poland: London Chamber of Commerce & Industry.

■ SOUTH AMERICA AND THE CARIBBEAN:
□ 17-29 October 1994: Chile/Argentina: Liverpool Chamber of Commerce & Industry.
□ 6-17 November 1994: Jamaica/Trinidad: Bristol Chamber of Commerce & Initiative.
□ 12-25 November 1994: Mexico: Birmingham Chamber of Commerce & Industry.
□ 14-25 November 1994: Venezuela/Colombia: London Chamber of Commerce and Industry.
□ 14-26 November 1994: Brazil: Three Counties Chamber of Commerce and Industry.
□ 20 February - 11 March 1995: Puerto Rico/Trinidad/Guyana: Birmingham Chamber of Commerce and Industry.
□ 20-24 March 1995: Brazil (Sao Paulo): Mid-Yorkshire Chamber of Commerce and Indust.
□ 19-24 March 1995: Chile/Argentina: London Chamber of Commerce and Industry.

□ *A list of missions to end-June 1995 will appear in the January issue. Please send details to FT Exporter, Surveys Department, One Southwark Bridge, London, SE1 9HL*

□ *Exporters seeking to participate in minister-led missions are advised to contact the Department of Trade and Industry, London.*

□ *For a list of forthcoming trade shows and exhibitions, see page 22 of this issue.*

The Top 100 UK Exporters

Ranking 1993	Ranking 1992	Company	Exports £m 1993	Exports £m 1992	Growth % 1993/92	Europe export growth % 1993/92	Europe export share % 1993	Exports as a percentage of UK turnover 1993	Exports as a percentage of UK turnover 1992	Exports as a percentage of Overseas turnover 1993	Exports as a percentage of Overseas turnover 1992	Net exports £m 1993	No of UK Employees	% Change in UK employees 1993/92	% Change in global employees 1993/92	Domicile
1	1	British Aerospace	6,194.0	5,621.0	8.4	6.6	39.7	62.5	63.2	88.0	88.8	n/a	78,539	-10.8	-11.5	UK
2	2	BP	4,088.0	4,020.0	1.7	-1.6	53.6	28.0	28.8	10.7	17.3	3,550.0	21,900	-22.6	-20.1	UK
3	3	Shell UK	3,257.0	2,598.0	25.4	n/a	n/a	50.6	44.8	100.0	100.0	n/a	9,701	-12.6	n/a	UK/Nld
4	6	IBM UK	2,332.0	2,135.0	8.2	n/a	n/a	57.8	56.6	100.0	100.0	n/a	11,418	-18.1	-15.0	US
5	5	Rolls-Royce	2,165.0	2,137.0	1.3	-9.3	17.5	68.5	66.5	85.6	66.0	1,467.0	41,000	-10.6	-10.5	UK
6	8	GEC	1,725.0	1,472.0	17.2	-8.4	31.0	39.0	33.7	25.8	23.4	n/a	73,909	-8.4	-6.5	UK
7	10	Zeneca	1,670.0	1,403.0	16.4	18.6	38.8	64.6	62.0	40.8	38.2	n/a	12,800	-5.6	-4.7	UK
8	4	Ford Motor Co.	1,674.6	2,185.6	-23.7	-24.4	66.3	31.7	41.0	97.2	88.7	n/a	32,400	-15.4	-10.4	US
9	7	ICI	1,566.0	1,501.0	4.3	n/a	n/a	44.6	43.6	23.9	26.1	n/a	24,400	-10.9	-6.0	UK
10	9	British Steel	1,362.0	1,439.0	-4.0	-16.5	66.5	41.6	42.6	01.3	50.8	662.0	37,000	-10.0	-12.3	UK
11	12	Guinness	1,024.0	875.0	5.0	1.0	28.1	52.1	46.4	30.4	32.3	935.0	8,987	-12.0	-3.2	UK
12	14	Glaxo	1,023.0	844.0	21.2	25.3	77.4	67.0	62.8	16.6	19.1	936.0	12,000	-1.2	17.0	UK
13	25	Compaq Computer	981.1	460.0	113.3	138.8	93.3	87.4	77.7	100.0	100.0	188.8	983	-8.0	10.0	US
14	11	Esso UK	980.7	997.2	-1.7	-7.6	52.8	26.7	28.3	100.0	100.0	n/a	4,166	-0.4	n/a	US
15	13	Nissan Motor Manufacturing	667.8	611.4	8.2	6.0	98.5	73.0	86.4	100.0	100.0	526.8	5,287	8.3	n/a	Jap
16	27	Motorola	867.8	456.5	60.1	86.8	07.4	68.1	60.0	100.0	100.0	n/a	5,416	17.6	12.1	US
17	20	Trafalgar House	761.5	592.4	28.5	n/a	n/a	33.0	24.6	48.5	39.2	n/a	21,184	-9.4	-9.4	UK
18	17	Johnson Matthey	697.8	726.4	-3.8	-25.3	31.7	59.7	55.5	47.0	57.2	n/a	2,580	-4.5	1.0	UK
19	16	BTR	680.0	n/a	n/a	n/a	41.9	27.1	n/a	10.3	n/a	n/a	39,500	n/a	n/a	UK
20	19	Unilever	662.0	657.0	0.8	n/a	52.6	18.6	18.0	2.7	3.1	-157.0	105,000	-1.6	2.4	UK/Nld
21	22	Rank Xerox	623.0	577.0	8.0	n/a	n/a	55.4	54.0	23.4	23.7	125.0	7,382	-8.7	-3.2	UK/US
22	24	Smithkline Beecham	067.0	462.0	28.2	86.2	07.0	64.5	47.6	10.2	8.0	n/a	10,100	1.0	-1.9	UK
23		Hillsdown Holdings	584.3	462.2	21.2	-1.6	43.4	30.1	24.6	26.1	26.2	n/a	28,630	-6.6	-2.1	UK
24	21	Kodak	569.5	508.3	10.1	-2.5	70.0	58.8	57.8	100.0	100.0	405.3	0,127	-6.8	-3.2	US
25	29	Conoco	481.4	425.1	13.2	16.6	61.3	39.7	37.0	100.0	100.0	-38.6	1,424	-7.7	-7.7	Can
26	31	Wellcome	474.8	398.3	16.5	-3.6	5.1	80.0	72.5	25.6	25.4	391.6	0,363	-4.9	-0.8	UK
27	56	Marks & Spencer	467.0	383.0	21.6	12.8	73.7	7.8	8.7	0.8	0.6	n/a	52,689	-0.8	0.1	UK
28	26	Courtaulds	460.0	452.0	1.8	n/a	n/a	60.6	60.3	28.0	28.6	n/a	8,500	-16.0	-9.6	UK
29	16	Texaco	443.0	640.0	-30.8	-44.4	72.6	12.9	20.8	01.8	59.0	13.0	2,920	-19.6	-16.2	US
30	36	BAT Industries	418.0	320.0	30.0	n/a	n/a	5.3	7.5	2.0	2.2	n/a	14,808	-1.4	-3.8	UK
31	10	Vauxhall Motors	415.8	754.1	-44.6	-44.6	100.0	13.4	25.2	100.0	100.0	-1,208.4	10,654	-4.4	-4.4	US
32	28	Varity Holdings	410.6	427.6	-3.3	-7.7	07.7	62.1	60.5	60.0	61.1	240.2	5,678	-10.5	-12.4	US
33	33	New Holland Ford	397.4	351.4	10.1	-17.0	26.6	73.1	75.2	100.0	100.0	172.2	2,220	-9.1	-8.2	It
34		Booker	392.0	350.0	12.0	0.0	01.8	11.3	10.8	79.5	77.4	n/a	20,402	-2.8	-3.5	UK
35	02	Lucas	371.1	365.6	1.4	-0.0	60.4	39.7	40.9	24.8	25.6	202.8	25,091	-3.2	-4.9	UK
36	35	Exxon Chemical	364.8	324.8	12.3	5.0	84.1	56.4	63.8	100.0	100.0	n/a	1,745	-5.8	n/a	US
37	43	Cummins UK Ltd	361.1	291.0	24.1	0.6	30.0	60.9	60.1	94.3	94.8	107.2	4,582	-0.0	0.0	US
38	37	Thorn EMI	326.3	322.0	2.0	-7.0	49.1	21.0	16.0	12.0	12.8	-1,166.0	21,236	-21.2	-16.2	UK
39	59	Hewlett Packard	323.6	215.8	50.1	32.1	44.4	31.8	30.3	100.0	100.0	n/a	4,054	1.0	3.9	US
40	35	Rothmans International	314.0	282.0	11.3	52.7	26.8	64.4	55.1	16.5	14.8	296.0	2,643	-0.6	-3.0	UK
41	44	Seagram Distillers	339.3	278.2	21.5	10.1	56.2	68.0	63.8	56.5	54.4	n/a	2,184	0.8	0.4	Can
42	51	BICC	299.0	249.0	20.1	n/a	n/a	13.0	11.0	14.8	15.3	n/a	n/a	n/a	-2.4	UK
43	70	Mobil Oil	298.0	166.0	79.5	28.1	13.6	16.1	11.4	88.6	87.8	103.4	3,052	-0.1	n/a	US
44	40	Grand Metropolitan	298.0	366.0	-8.2	n/a	n/a	23.8	16.0	4.3	5.0	n/a	27,733	-17.3	-14.9	UK
45	39	Inco Europe	295.1	018.3	-7.3	n/a	n/a	73.4	71.1	68.8	97.6	n/a	2,073	-12.1	-12.0	Can
46	42	Tenneco	294.7	288.3	2.2	7.2	51.5	43.0	46.0	58.0	48.8	83.1	5,717	-2.8	n/a	US
47	65	Associated Octel	288.0	238.0	21.2	5.8	22.6	64.7	70.8	89.0	94.1	280.9	1,980	0.0	-1.4	US
48	41	Ciba-Geigy	283.0	294.0	-3.7	-4.4	85.2	38.6	41.8	100.0	100.0	n/a	0,085	-3.6	-3.4	Swi
49		Foster Wheeler Energy	276.1	195.0	40.8	-68.3	5.6	71.2	60.1	100.0	100.0	n/a	1,666	0.1	-0.3	US
50	45	British Alcan	272.0	275.3	-1.2	-1.2	61.2	40.3	40.2	77.2	77.8	n/a	7,124	-7.6	-7.0	US
51	30	Allied Domecq	270.0	301.0	-10.3	-13.0	67.0	5.0	6.2	11.1	13.1	210.0	67,049	1.6	0.2	UK
52		Reed Elsevier	268.0	n/a	n/a	n/a	44.6	28.1	n/a	15.1	n/a	n/a	10,200	n/a	n/a	UK/Nld
53	47	Fisons	261.0	261.6	-0.2	3.0	29.8	84.3	91.1	22.1	23.5	n/a	0,369	-4.8	-7.7	UK
54	48	T & N	260.0	256.0	1.6	0.0	63.6	44.1	44.4	18.0	23.0	204.0	12,991	-6.1	0.0	UK
55	46	Bamford (JC)	207.0	274.4	-6.3	-29.0	59.1	64.6	76.3	100.0	100.0	211.6	1,940	0.4	0.2	UK
56	49	Nestle UK	250.0	254.0	-1.6	n/a	n/a	14.7	15.1	100.0	100.0	n/a	17,000	-15.0	-8.3	Swi
57	53	Rhone-Poulenc	244.0	245.0	-0.4	0.0	64.1	32.2	32.4	100.0	100.0	n/a	4,403	-9.1	-1.6	Fra
58	58	United Engineering Steels	241.7	221.6	6.0	-9.8	59.5	40.6	39.3	100.0	100.0	n/a	7,595	-8.2	-8.0	UK
59	65	Pearson	236.6	188.6	25.6	n/a	n/a	47.7	34.1	17.2	17.4	n/a	10,066	-1.0	0.1	UK
60	54	Racal Electronics	231.6	231.4	0.2	-10.4	31.0	50.8	50.1	37.8	36.6	n/a	6,902	-9.1	-8.2	UK
61	50	Vickers plc	230.5	250.4	-7.6	-33.2	29.0	52.7	51.6	47.8	51.8	n/a	7,100	-12.3	-9.8	UK
62	60	English China Clays	210.2	212.2	1.4	0.6	89.0	36.6	37.2	40.0	53.6	206.9	7,249	-6.0	1.6	UK
63	52	Shorts	212.0	246.3	-10.0	-39.5	36.6	75.0	64.6	100.0	100.0	n/a	7,201	-17.3	-14.2	UK
64	83	Arjo Wiggins Appleton	208.8	192.8	6.4	-3.0	56.0	35.9	34.6	8.7	8.4	75.1	4,648	-7.6	-3.4	UK
65	62	Michelin	207.6	199.3	4.1	2.2	78.7	42.5	38.5	100.0	100.0	n/a	8,404	-5.6	-4.2	Fra
66	61	Hanson	205.0	210.0	-2.4	-7.1	69.6	4.7	5.0	3.6	4.8	53.0	16,000	-14.3	-5.3	UK
67	70	Vosper Thornycroft (UK)	199.1	147.3	35.2	-5.0	1.2	84.2	76.0	98.7	98.4	111.8	2,246	13.1	13.1	UK
68	34	Peugeot Talbot Motor Co.	196.7	337.7	-41.8	-42.0	99.0	12.0	22.1	100.0	100.0	n/a	5,689	-5.7	n/a	Fr
69	07	IMI	161.0	169.0	13.0	4.2	64.6	34.7	31.2	25.3	25.0	n/a	9,698	-6.6	-4.7	UK
70	73	Polaroid (UK)	186.7	161.6	15.5	-1.0	42.0	82.8	91.5	100.0	100.0	65.4	1,478	2.6	2.8	US
71	69	De La Rue	183.6	166.6	10.2	n/a	n/a	74.2	77.0	53.4	48.7	125.2	2,656	-0.4	-10.0	UK
72	64	Caterpillar	183.3	101.1	-4.1	-46.4	23.4	77.8	97.6	100.0	100.0	109.6	1,008	-11.8	n/a	US
73	72	Allied Colloids	170.6	160.6	6.5	12.2	51.0	80.2	79.4	62.0	64.1	n/a	1,676	2.6	6.1	UK
74	71	Smiths Industries	172.9	163.4	5.8	1.5	36.3	46.6	48.7	41.7	48.5	144.6	6,800	0.0	0.0	UK
75	84	Gulf Oil	170.4	115.7	47.3	62.5	66.0	26.1	17.4	100.0	100.0	n/a	1,401	1.5	n/a	US
76	77	Westland Group	165.6	139.2	10.1	53.6	65.4	38.3	32.6	84.6	94.4	n/a	8,252	-2.5	-2.6	UK
77	76	Delta	160.4	142.0	13.0	n/a	n/a	18.5	18.1	n/a	n/a	n/a	6,213	-3.5	-3.6	UK
78	76	Lilly Industries	154.5	132.6	18.3	10.2	72.0	59.8	59.2	100.0	100.0	56.5	2,099	0.6	0.7	US
79	68	British Nuclear Fuels	150.0	186.0	-16.4	-41.3	29.3	13.3	17.8	96.6	98.0	n/a	15,371	-5.0	-4.4	UK
80	87	Cyanamid (UK)	147.2	112.2	01.2	27.2	76.1	57.7	51.0	100.0	100.0	81.5	1,666	-11.0	-0.7	US
81	80	Weir Group	147.0	125.6	17.1	-34.6	15.6	44.0	39.3	56.2	54.4	n/a	5,066	-1.1	0.1	UK
82	74	Coats Viyella	143.6	152.0	-5.7	-6.2	63.1	13.7	15.1	10.3	13.9	n/a	27,654	-4.6	25.5	UK
83	83	F G Wilson Engineering	140.4	117.6	10.1	13.7	22.8	01.0	90.7	57.6	09.5	127.6	1,070	51.0	53.5	NIr
84	88	Roche Products	134.2	112.5	16.3	n/a	n/a	42.5	44.6	100.0	100.0	50.7	2,305	10.0	n/a	Swi
85	81	Pilkington	125.3	103.5	21.1	21.4	62.8	22.6	24.4	5.7	4.8	n/a	10,400	22.4	-4.2	UK
86	89	BASF	125.0	129.0	-3.1	-3.1	100.0	23.5	24.8	100.0	100.0	n/a	961	-7.8	n/a	Ger
87	85	Ingersoll-Rand	122.6	113.0	8.5	0.0	68.0	58.6	61.3	100.0	100.0	78.6	2,601	21.0	n/a	US
88	100	Bowater	116.0	92.0	26.1	10.0	74.1	13.6	12.3	9.2	11.7	n/a	12,550	7.3	22.0	UK
89		Tate and Lyle	115.3	108.1	0.7	n/a	n/a	8.0	6.3	4.6	4.9	n/a	3,166	-5.7	-6.0	UK
90	61	Pirelli	114.1	125.3	-8.8	-2.6	68.3	23.7	23.6	94.6	95.5	30.6	5,530	-13.7	-13.5	It
91	98	SBA	114.0	110.2	3.4	-13.8	37.9	31.8	31.2	10.8	11.4	n/a	7,172	-4.6	-4.3	UK
92	106	Gallaher	110.6	61.7	65.6	n/a	n/a	2.4	1.9	24.2	21.4	0.6	21,423	-5.6	-4.4	US
93	92	Cadbury Schweppes	110.4	98.0	12.0	24.0	57.8	6.8	6.4	5.2	5.4	-230.6	14,006	-8.7	5.6	UK
94	82	Boots	109.0	124.3	-12.3	-7.0	41.6	3.0	3.0	16.4	20.2	-36.6	74,267	1.4	0.5	UK
95	99	Cookson	107.1	92.3	16.1	13.7	59.5	34.7	32.8	8.5	8.8	n/a	3,494	-7.5	0.8	UK
96	79	Monsanto	106.2	126.7	-16.1	-25.1	52.3	50.5	52.5	100.0	100.0	n/a	674	-45.5	-11.0	US
97		Dalgety	103.7	78.4	30.8	32.3	92.3	6.3	4.6	3.7	3.4	n/a	10,714	-3.2	-4.1	UK
98	93	Dawson International	99.2	98.0	1.2	-8.0	73.4	43.7	44.6	31.4	31.5	n/a	5,800	-3.9	-5.2	UK
99	96	Robert Bosch	97.5	93.5	4.2	5.8	96.4	43.1	44.7	100.0	100.0	n/a	n/a	n/a	-8.2	Ger
100	96	GKN	07.0	84.0	3.2	-5.2	75.3	14.7	14.2	7.1	7.1	n/a	11,306	-7.8	-6.6	UK

Notes: Year end March 1993, 1994 for GEC, British Steel, British Nuclear Fuels, Johnson Matthey, Racal Electronics, Courtaulds, Thorn EMI, Boots, Rothmans, Pilkington, Dawson International. Year ends June 1993, 1994 for Glaxo. Year ends October 1993, 1994 for Hewlett Packard. ICI's figures relate to continuing businesses (93 figures exclude Zeneca and other European disposals). Reed Elsevier formed January 1993 from merger of Reed International PLC and Elsevier NV so no prior year comparisons available. Unilever UK employees figures are total European employees. Allied-Lyons has changed its name to Allied Domecq as of July 1994. Rothmans figures relate to the Rothmans group as restructured in October 1993. Figures relate to continuing operations for Allied Domecq, Racal Electronics, De La Rue and Bowater. Our thanks to all of our contributors.

ANALYSIS

Sales are up but jobs numbers fall

Gillian Tett reviews the FT's latest list of Top 100 UK Exporters and finds that there has been little movement among leading companies

The improvement in the world economy, the growing competitiveness in some sectors of UK industry, and the 1992 devaluation of sterling left many of the top British exporters enjoying strong sales growth abroad last year.

However, the FT's latest survey of leading exporters suggests that the overall growth in exports did not lead to much job creation within the UK, with most of the more successful exporters reducing workforces during the year in an attempt to achieve greater productivity.

Overall, the survey indicates that there has been little significant movement in the ranking of top exporters, with foreign-owned companies still representing a large proportion of the export table.

The rankings of the three largest exporters, British Aerospace, British Petroleum and Shell UK, remain unchanged amid good export growth. Together they account for about a quarter of the total export sales of the top 100.

Shell and British Petroleum benefited from a strong performance in the North Sea oil and gas sector, boosted in recent months by a number of new fields coming on stream. A spokesman for BP said: "The main growth has come from oil and gas – it's mostly down to the North Sea."

Further down the table, the rankings showed more change. Zeneca, which entered the top 100 in 1992, after Imperial Chemicals Industry hived off its bioscience subsidiary, turned in an extremely healthy export performance. The group jumped from 10th to seventh place, with a 18.4 per cent increase in exports during the year.

Mr Steve Mayo, finance director at Zeneca, said that the company was "extremely proud" of its export contribution. Although the group's main markets were still the US and Europe, increasing sales in the Far East and Latin America had contributed to the export growth, he said. However, he pointed out that the company's performance overall appeared to be flattered by the export figures themselves, because the total actual sales increase during the year had been slightly lower, at about 12 per cent, than the growth in exports. "This is probably a better guide to the underlying performance," he added.

ICI fared slightly worse, slipping from seventh to ninth place during the year, with only a 4.8 per cent growth in exports. Meanwhile, Ford Motors, the UK market leader in the vehicle sector, fell to eighth from fourth. The drop partly reflected difficult trading conditions in Europe's car market, with Ford's exports to Europe falling by 24.4 per cent in the year. Although Nissan Motors largely shrugged off these problems, showing a 6.8 per cent export growth into Europe during the year, the European recession also affected Vauxhall, where exports fell by 44.9 per cent. The drop dragged Vauxhall's ranking down to 31 from 15.

One star performer in the table, however, was Compaq, the US-owned computer group which has been rapidly building its market share in Europe after establishing production sites in Scotland seven years ago. The group leapt from 25th to 13th during the year, on the back of an impressive 113 per cent increase in exports. Most of this growth was targeted on Europe, where exports rose by 138.8 per cent as the company benefited not only from increased demand for portable computers but also from a greater market share. After being ranked as the fourth largest PC supplier in Europe in 1992, Compaq is now estimated to have the largest share of the European market, after being number two last year.

This growth in the computer market appears to have benefited other companies, such as International Business Machines.

Overall, however, the table does not indicate particularly strong sectoral trends. Although the UK's strength in the world chemicals industry was underlined by good performances from companies such as Glaxo, the star performers among the smaller companies came from a range of industries. British American Tobacco, for example, saw exports grow by 30 per cent, primarily as a result of expansion into Asian and other non-European markets. Marks & Spencer, the retailers, saw exports grow by 21.9 per cent, pushing the company up from 56th to 27th in the rankings.

One theme that does emerge from the table is that with Europe in deep recession during most of 1993, much of the strongest growth came from markets outside the European Union, particularly in the US and Far East. Hillsdown, the food producer, for example, saw exports grow by 21.2 per cent overall, but fall by 1.8 per cent in Europe. *Thorn EMI saw a similar* pattern, with a 2 per cent growth in overall exports and a 7 per cent fall in European markets. Meanwhile, Vosper Thorneycroft, the defence contractor, saw exports grow by 35.2 per cent in the year, but fall by 5.9 per cent in Europe.

Mr Martin Jay, managing director at Vosper Thorneycroft, said that the strongest export markets had been in the Middle East and Gulf. "In the past five years we have increased productivity in steel ships by 50 per cent," he said.

Another trend apparent from the survey is that the growth in *exports has* not necessarily led to significant job increases. Nearly all of the 16 top exporters cut their workforce during the year, with the only exception being Nissan Motors, which is expanding its production in the UK.

The employee cuts were not necessarily related to the export growth. Shell UK, for example, saw export growth of 25.4 per cent during the year – but reduced its workforce by 12.3 per cent. At the other end of the spectrum, Arjo Wiggins reduced its workforce by 7.6 per cent, after achieving 8.4 per cent export growth in the year.

Some of these cuts may not have reflected redundancies – BP, for example, points out that its 22.6 per cent reduction in its workforce also reflected divestment of a number of subsidiaries. However, in many cases they suggest that companies are continuing to seek increasingly high levels of productivity on which to base any future export growth.

Exporters' diary: fairs and exhibitions

■ GENERAL TRADE FAIRS
Oct 30-Nov 6, 1994: Havana, FIHAV.
Nov 1-5, 1994: Johannesburg, SAITEX.
Dec 26-Jan 3, 1995: Valencia, FIV.
Apr 15-30 1995: Guangzhou, CECF.
■ AGRICULTURAL EVENTS
(including related machinary):
Nov 5-9 1994: Bologna, EIMA
Nov 29-Dec 2: 1994 Utrecht, VIV
Feb 26-Mar 2 1995: Paris, SIMA
■ AIRCRAFT AND AEROSPACE
Oct 25-27 1994: Atlanta, INTER AIRPORT
Feb 21-23 1995: Maastricht, ATC
Jun 11-18 1995: Paris, SIAE
Nov 12-16 1995: Dubai, AEROSPACE
■ AUDIO VISUAL EQUIPMENT
Oct 27-31 1994: Beijing, AV BROADCAST
Nov 9-11 1994: Stockholm, MULTIMEDIA
Oct 7-15 1995: Ghent, SOUND & VISION
■ BOOKS AND PUBLISHING
Apr 26-30 1995: Geneva, BOOKS/PRESS
Jun 3-6 1995: Chicago, ABA
May 7-11 1996: Milan, GRAFITALIA
■ BUILDING/CONSTRUCTION EQUIPMENT AND SERVICES
Oct 19-23 1994: Bologna, SAIE
Nov 2-5 1994: Hanover, CONSTRUCTEC
Nov 3-6 1994: Bahrain, ARABUILD
Nov 26-29 1994: Bangkok, THAIBEX
July 29-Aug 1 1995: Johannesburg, AFRIBUILD.
Nov 7-11 1995: Paris, BATIMAT
■ CHEMICALS, COSMETICS AND PHARMACEUTICALS
Nov 8-10 1994: Helsinki, KEMIA (chemicals)
Feb 21-23 1995: Utrecht, INTERPHEX (pharmaceuticals trade).
Mar 24-26 1995: Dusseldorf, BEAUTY
May 16-20 1995: Beijing, ACHEMASIA (chemical engineering)
■ CLOTHING, FASHION AND FOOTWEAR
Oct 22-24 1994: Miami Beach, JEANSWEAR
Oct 27-30 1994: Hong Kong, FOOTWEAR
Nov 17-20 1994: Seoul, SIFF
Nov 29-Dec 1994: Milan, ESMA (knitwear)
Feb 3-5 1995: Cologne, HERRENMODEWOCHE (menswear).
Feb 5-8 1995: Dusseldorf, COLLECTION PREMIEREN.
Feb 11-13 1995: Barcelona, INTIMODA (lingerie).
Feb 21-24 1995: Las Vegas, MAGIC
Mar 5-7 1995: Dusseldorf, IGEDO
Mar 10-13 1995: Paris, INDIGO (textile design).
Mar 12-14 1995: Paris, MIDEC (fashion shoes).
Mar 17-20 1995: Dusseldorf, GDS (shoe fair)
■ COMPUTERS, OFFICE MACHINERY AND TELECOMS
Oct 20-25 1994: Cologne, ORGATEC (office equipment).
Oct 24-28 1994: Paris NETWORLD, INTEROP.
Nov 2-5 1994 Turin, INTELCOM
Nov 15-18 1994: Warsaw, OFFICE TELECOMS.
Nov 23-24 1994: Stockholm, WINDOWS WORLD.
Nov 23-25 1994: Lyon, IMAGICAD (CAD/CAM graphics).
Mar 8-15 1995: Hanover, CEBIT
Oct 30-Nov 2 1995: Utrecht INTEROFFICE
■ DISPLAY AND SHOP EQUIPMENT
Oct 24-28 1994: Paris, EQUIPMAG (shopfitting).
Nov 15-18 1994: Warsaw, SHOP EQUIPMENT.
Oct 25-28 1995: Frankfurt, MARKETING TRADE.
■ ELECTRICAL/ELECTRONIC ENGINEERING
Oct 18-21 1994: Melbourne, ELENEX
Nov 7-8 1994: Seoul, OEM PARTS
Dec 5-9 1994: Paris, ELEC
Sept 6-8 1995: Dortmund, ELEKTROTECHNIK
■ FOOD & DRINK/CATERING
Oct 24-28 1994: Paris, IPA/SIEL-GIA-MATIC
Nov 4-8 1994: Milan, EXPO FOOD
Nov 10-12 1994: Nuremburg, BRAU (beers, soft drinks).
Nov 23-26 1994: Budapest, FOODAPEST
Nov 24-27 1994: Zurich, KASE (dairy trade)
Jan 29-Feb 2 1995: Berne, FBK (baking, confectionery).
Nov 23-29 1995: Basle, IGEHO (catering)
■ HEALTHCARE
Nov 30-Dec 2 1994: Stockholm, MEDICINE TRADE.
Mar 27-30 1995: Paris, INTERMEDICA
May 17-20 1995: Brussels, EXPOMED
■ HOUSEHOLD FURNISHING AND EQUIPMENT
Oct 28-31 1994: Frankfurt, THEMA DOMUS (home decor).
Nov 22-26 1994: Lyon, SANIPOLIS (bathroom fittings).
Jan 8-11 1995: Hanover, DOMOTEX (floorcoverings).
Jan 13-17 1995: Paris, HOME ACCESSORIES & GIFTWARE WEEK
Feb 21-24 1995: Cologne, DOMOTECHNICA (home/kitchenware).
Feb 18-22 1995: Frankfurt, AMBIENTE (housewares).
Mar 29-Apr 9 1995: Amsterdam, HUISHOUDBEURS.
■ JEWELLERY AND GIFTWARE
Nov 5-13 1994: Turin, PREZIOSA (jewellery)
Nov 17-20 1994: Bahrain, JEWELLERY ARABIA.
Jan 20-23 1995: Milan, CHIBICAR/CART
Feb 10-13 1995: Herning, FORMLAND
■ MECHANICAL ENGINEERING
Nov 15-19 1994: Singapore, METALASIA
Dec 5-9 1994: Paris, MIDEST
Nov 15-18 1995: Helsinki, MECATEC
■ MINING
Feb July 25-27 1995: Mackay, QME
Jan 16-19 1996: Calcutta, IMME
■ PRINTING AND STATIONERY
Jan 21-22 1995: Dortmund, EWEPA
May 5-18 1995: Dusseldorf, DRUPA
■ SAFETY, FIRE CONTROL & SECURITY
Oct 23-27 1994: Tel-Aviv, SECURITY
Nov 22-25 1994: Prague, PRAGOSEC
Feb 22-24 1995: Johannesburg, SECUR'EX
Sept 27-30 1995: Berlin, SITECH
Nov 7-10 1995: Dusseldorf, A&A
■ SCIENTIFIC AND MEDICAL
Nov 9-12, 1994: Atlanta, MEDTRADE
Feb 20-23, 1995: Paris, BIOEXPO.
■ SHIPS AND BOATS
Oct 22-30 1992: Hamburg, HANSEBOOT.
Nov 15-17 1994: Amsterdam, METS.
Jan 21-29 1995: Dusseldorf, BOOT.
Jun 13-16 1995: Oslow, NOR-SHIPPING.
■ SPORTS EQUIPMENT
Jan 17-19 1995: New York, SPORTS TRADE
Jun 25-27 1995: Paris, SISEL-SPORTTOYS
Oct 20-23 1994: Essen, SPIEL
Nov 2-8 1994: Stockholm, COMPUTER GAMES AND HOBBIES.
Jan 28-30 1995: Paris, JOUET.
Feb 2-8, 1995: Nuremburg, TOY FAIR.
■ WATER/AIR TREATMENT:
Oct 26-29 1994: Sinsheim, AWL TECH
Nov 7-10 1994: Manila, WATER INDUSTRY.
Nov 9-10, 1994: Cork, ENVIROTEC
Nov 29-Dec 3, 1994: Jakarta, WATERTECH INDO.

□ *For details of these events, contact "Exhibition Bulletin," in London: tel +44 (0) 81 778 2288; fax +44 (0)81 659 8485.*

□ *Leading UK trade missions to March next year – pages four and six of this issue of the FT Exporter.*

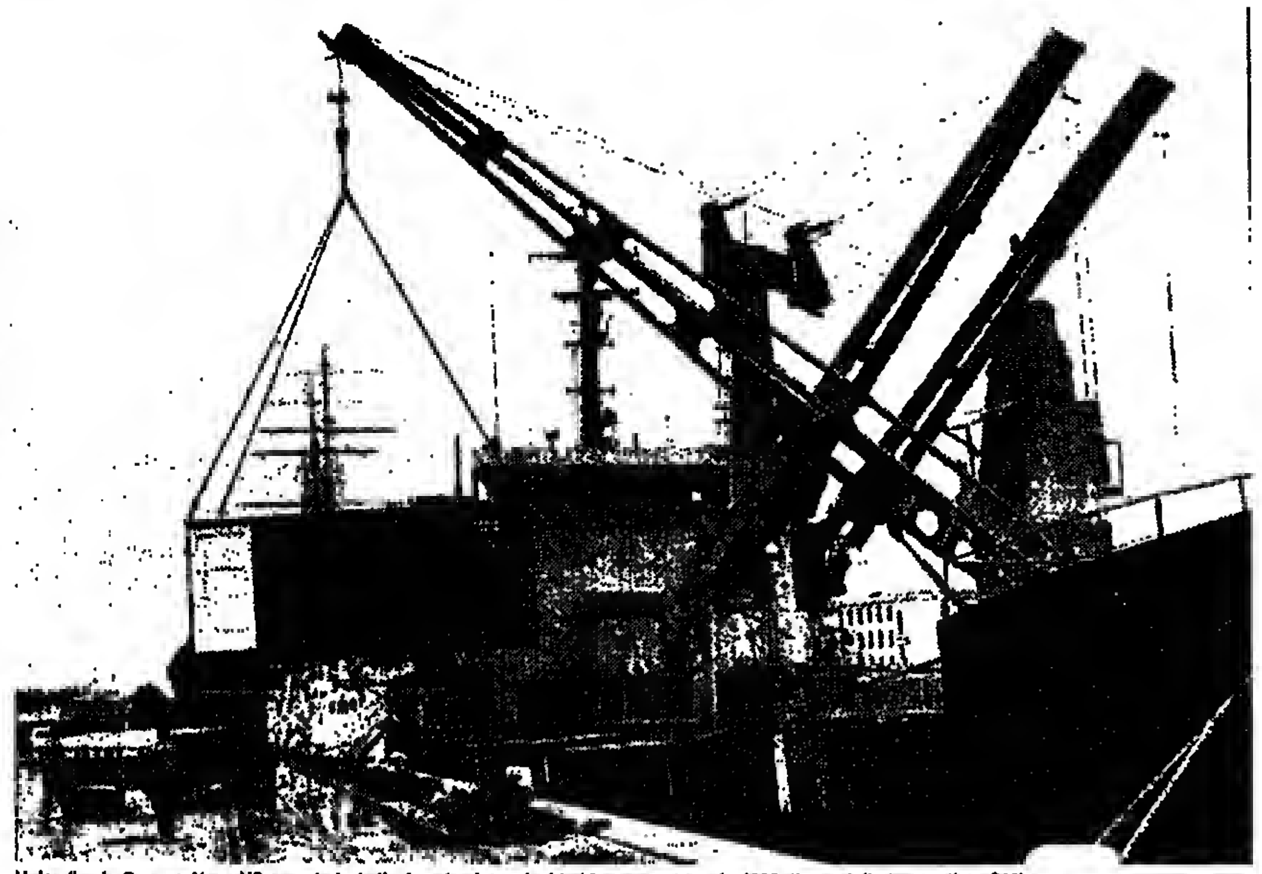
harmonised national databases of packaging data for the monitoring of targets, and clarification of who is going to be responsible for the handling of waste packaging. packaging become available, but that costs involved.

FT EXPORTER 8

GROWTH MARKETS

Rich potential in Latin America

Deregulation and an unprecedented opening to cross-border trade are having a profound effect on increasingly sophisticated markets in the region, reports Jon Marks



Unloading in Buenos Aires: US exports to Latin America have doubled in seven years. In 1993, they totalled more than $80bn

Picture: Glyn Genin

The opening to international capital, tariff reductions and anti-protectionist measures have stimulated an upturn in trade in Latin America. In response to rapid change, exporters into the region are making investments in manufacturing plants and other facilities to secure their place in increasingly sophisticated markets.

"We wouldn't see any stumbling blocks at all to operating out of the region. They are pretty accommodating in Latin America, but ten years ago it was a different story: US companies then were mainly concentrating on Europe," says Jason Wright, a senior vice-president of US food group RJR Nabisco.

The group had been established in Latin America for well over a decade, selling into markets as diverse as Colombia, Peru, Costa Rica, Brazil and Mexico when last April it purchased a 70 per cent stake in Argentinian biscuit-maker EM Terrabusi.

Buying into a manufacturer with market capitalisation of $280m "expanded our scope from a smaller business we were involved in there," says Mr Wright. Many other companies have decided to make investments which allow them to export to a target market from within its borders.

Procter & Gamble's (P&G's) acquisition of Argentinian food giant Bunge y Born's 78 per cent stake in Compania Quimica, which makes detergents, for $52.5m, formed part of a strategy to establish the company's regional penetration.

P&G was already operating in Venezuela – where it has a regional headquarters – Chile, Peru and Brazil, as well as Argentina, where in 1991 it established a 50:50 joint venture with a local company, Equimal, producing disposable nappies and other sanitary products.

"What we have done in a number of these countries is to look for access to product categories where our market share is negligible or non-existent," says Bill Dobson, P&G's director of international public affairs. P&G seeks out strong, established brands.

"We look for companies with a strong operating base, regional sales and a strong manufacturing capacity," Mr Dobson says. "We look to start from a place other than zero."

The size of the Argentinian consumer market has encouraged others to invest. The UK's Cadbury Schweppes bought 80 per cent of the equity of a privately-owned confectionary company, Productos Stani, to gain a foothold in the region where, according to Cadbury Schweppes, confectionery production in Argentina alone amounts to around 130,000 tonnes annually.

The size of Brazil's domestic market is a crucial factor behind many decisions to invest heavily in the country, despite the fact that, as Mr Ron Brown, the US Commerce Secretary said during a business mission in July, it "is still a relatively closed market."

Brazil has, however, opened up its market over the past four years. Imports increased by 18.2 per cent in the first quarter of 1994 on a year-on-year basis, including increases in consumer durables of 71.9 per cent and capital goods of 29.7 per cent.

Investors in Brazil include the UK's Pilkington Group, which plans a $100m float glass plant, based on the potential offered by 150m potential consumers and growth in industrial production.

Selling into a large domestic market provides the impetus to establish investment-led operations. These may then service smaller neighbouring markets. P&G sells into Bolivia, Paraguay, Uruguay and Ecuador from Argentina and Brazil.

The Ford motor company's Venezuelan affiliate sells some assembled products into the Ecuadorian and Colombian markets, benefitting from reciprocal tariff agreements.

Cross-border business is being made easier by regional trade pacts. Multinationals, including Du Pont and Dow Chemicals, chose Colombia as a regional base partly because of its potential to service other Andean Pact countries. Cadbury was partly attracted to Argentinian confectioner Stani because of its developing export business in the Mercosur region.

"The economies in Latin America are now opening, but this is a very recent phenomenon and not yet fully established," says Theo Carnier, Dow's director of communications for Brazil.

In this process, trade pacts "helped us a lot," he says, and in November 1993 Dow transferred its regional office from Mexico to Sao Paolo "to be near our markets."

Among the leading pacts are the following:

■ Mercosur, forming a market worth $800bn a year, serving 190m people in Argentina, Brazil, Paraguay and Uruguay. Internal trade has more than doubled since the agreement was signed in 1991.

■ The Andean Pact, comprising Bolivia, Colombia, Ecuador, Venezuela and Peru, has also agreed to a common external tariff to be implemented from 1995 within its area of around 100m people. Trade among members grew by around 80 per cent in 1993.

■ The Group Of Three, signed on 14 June by Colombia, Venezuela and Mexico.

Colombia and Venezuela will reduce their duties on Mexican imports by an average of 21 per cent on 1 January 1995, while Mexico will cut its tariffs by 32 per cent. Some degree of protection remains built in, with, for example, a 13-year transition period for the automotive industry.

■ The North American Free Trade Agreement, linking the US, Canada and Mexico is attracting manufacturers south of the Rio Grande.

There is still much to be set in place before companies can invest in the knowledge they are working in a European-type single market. Bureaucracy can remain byzantine across the region. Transport links are often primitive.

Not all emerging markets have shown great enthusiasm for multilateral trade accords, including the star performer among economic reformers, Chile.

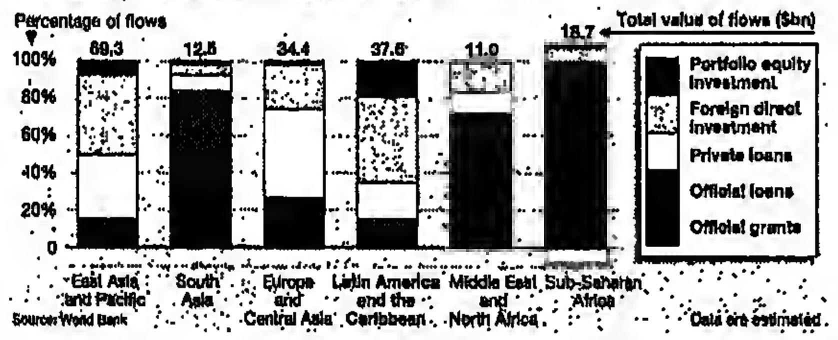
Chile has fought shy of regional groupings, while developing a network of bilateral trade agreements and encouraging investment by promoting its strong commitment to free market principles.

The movement of foreign capital into Latin American markets seems irreversible, although there are contraints. Latin America has been a growth market for the Ford motor company, for example, but "It has nothing like the dimensions attached to Asia," says Mr Ken Brown, Ford's public affairs manager for the region.

For smaller companies, focusing on national markets will remain imperative. But for even the smallest exporters, markets are changing and a regional market is emerging in which ease of access to cross-border trade, as well as the scale of the main domestic market, are becoming critical factors.

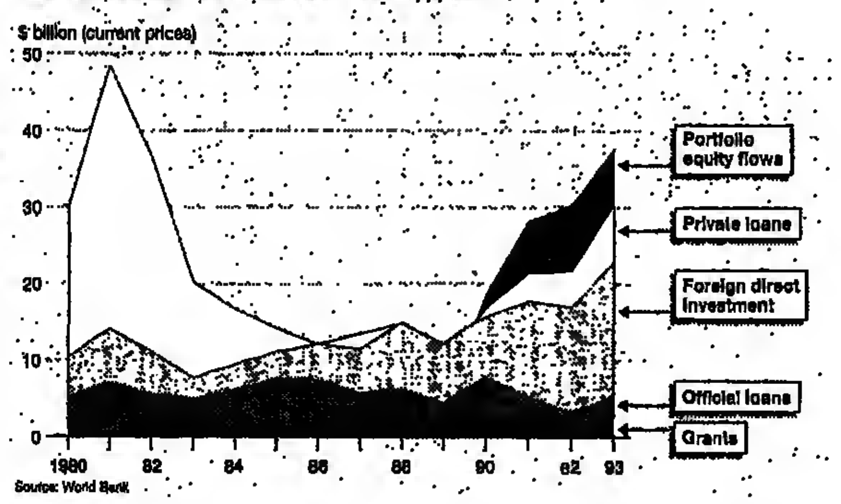
□ *Additional research for this article by Kevin Godier.*

Net resource flows by region 1993



Source: World Bank. Data are estimated.

Net resource flows to Latin America



Source: World Bank

MARKET FOCUS: Here, and on the following eight pages, FT correspondents report on export opportunities to Latin America, China, Russia and Africa

Deutschmarks to Dieter?

Rich potential in Latin America

FT EXPORTER 20

New facilities for direct commercial export credit risk underwriting at Lloyd's will complement the services offered in the UK by mainstream short-term credit insurers. These services are led by NCM and Trade Indemnity, but additionally include the specialist departments of a number of other insurers, including, for example, Sun Allianca and Commercial Union.

Despite difficult worldwide trading conditions in recent years, there has often heen a marked reluctance hy exporters to make use of export credit insurance. The lack of appropriate insnrance cover for markets outsida OECD countries has arguahly boen partly responsibla; bnt many exporters have also been unwilling to pay premium costs which they regard in soma cases as too high.

Premium costs have to some extant heen dictatad by high claim levels resulting from company failuree during the recession.

However, another influential factor has been developmania at Lloyd's, whare the cost of reinsuring commercial risk has heen affected by a reduction in availabla capacity. Lloyd's internal wranglinga aside, this reflected tha market's overall difficult claims experience across a broad range of core insurance sectors, such as marine indemnity.

Othar smaller sectore wera alao affootcd, including political risk cover for export daals. Tha latter offers exportars insnrance against, for example, an act of government prevanting a huyer making payment and, since tha early 1920s, has heen the only form of trade export credit cover directly available from the markct.

Against this hackground, the privata insurance morket is generally seeking to provide a broader range of cover options which cost-effectively meet exporters' requirements.

This move is particnlarly important given the global privatisation trend which is creating n vast number of private sector foreign huyers which do not have the secure, direct support of government. The private insurance market is deemed hy many to be particularly suited to analysing risk perceptions and subsequently meeting exporters' ueeds in this key area.

Lloyd's facility ansures thet London is at the centre of the trade credit insurance world

PRIVATE MARKET EXPORT CREDIT INSURANCE

Lloyd's re-awakens to trade credit risk

A move back into direct commercial export credit risk underwriting by Lloyd's of London is part of a continuing trend towards a broader market for export credit insurance

Tha launch in early September of Lloyd's International Trade Credit Insnrance Facility led hy Hiscox Syndicate 33, with tha hacking of other syndicates, is an integral part of this treud. This facility will provida commercial, or huyer, risk associated with the provision of export credits.

Although Lloyd's syndicates have heen active in providing political risk covar, they hod previously been excluded from commercial underwriting since the 1920s dns to difficulties the market experienced with this form of covor.

"This facility will ensure that London is at the centre of the trade credit insurance world," says Charles Berry of the co-ordinating hroker for the facility, Berry, Palmer & Lyle, (BPL).

Under the terms of this ucw facility, exporters will he ahle to insure individual commercial risks to an upper limit of around $5m. Participating syudicates will not be allowed to receive more than 2 per cent of premium income from this new husiness.

The facility is expected to concentrate on areas of risk outside the domain of mainstream trade credit insurance – "very generally, we ara not looking to compete head-to-head for business already written well hy NCM, France's Coface and Germany's Hermes," says Mr Berry.

A atrength of the market is that it can transcend national houndaries – "we ara jnst as interested in a Mexican company selling to the UK as a UK company selling to Mexico. The whole market ie very under-developed, although UK and OECD exportere are relatively well-served," be says.

Meanwhile, there is also considerahle potontial for exporters to access insurance outside the Lloyd's market, from established companies such as American International Group (AIG), or newer insurers such as the Paris-hased Unistrat Assurances or the Bermuda-registered Exportars Insurance Company, (EIC).

For companies ahla to sustain an initial $100,000 outlay, the "group captiva" framework availahle from EIC may prove an effective vehicle to insure axport credits.

EIC may be in a position to assist companies whose credit insurance requirements cannot be adequately met on the open market, according to Maurica Drage, EIC's UK consnltant and representative.

Qualification for memhership of a "group captive" involves the axporter in the purchase of a ehareholding. In the case of EIC, this is worth 5 per cent of tho deal they are negotiating. The minimum shareholding of $100,000 providee a new member with immediate access to $2m worth of cover. EIC will cover individual deals up to a maximum of $6.6m.

EIC cover is particularly suited to exporters selling to the larger newly industrialised countries, such as Brazil, Argentina and Mexico, hut can also cover deals in nichc markets such as international metals shipments in eastern European and CIS countries.

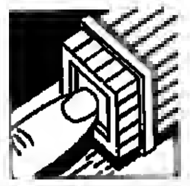
"We are not the entire solution to insurance in this area – hut a eupplement to capacity elsewhere," says Mark Reynolds, EIC's New York-hased vice-president.

Kevin Godier

'REVERSE DELIVERIES' DIRECTIVE

Rush to pass the parcel

The preseure is on the dietribution industry to help solve the problems of packeging waste management, reports **Anthony Bush**



Tha European Commission's plans to reduce waste ara going to hava a wide-ranging impact on tranaport and packaging companies in ell mcmher countries, and as a result on exporters.

In a proposed directiva earlier this year on packaging and packaging wasta, the Commission said it would like 90 per cent of packagiug removed from the waste stream, and of that 90 per cent, 60 per cant to be *recycled, 30 per cent to be incinerated* and 10 per cent to be used for landfill.

At its simplest, the directive alms to reduce the amount of wasta packaging disposed of, hy requiring member-states to implement national schames to achieve specified recycling and recovery targets.

Tha four principal provisione of the directive are:

- Memher-atates will have to estahlish return and monagement eyatems for waste packaging disposed of hy a consumer or final user.
- Adoption of a marking and coding system to be displayed on packaging signifying its acceptability for recovery, re-use and recycling.
- Harmonisation of standards for the design and construction of packaging intended to be recycled or recovered. (Various nationel standards will hc considered equivalont initielly, hut, eventually, a serics of European standards will he devised hy thc Commission).
- Member-states will hove to set up harmonised national databases of packoging data for tha monitoring of targets, and the reporting of progress towards their achievement.

Tho precise terms of the directive will not he known until later this autumn. The European Parliament disagreed with somc of the proposala and called for a number of amendments which thc Commission has refused to accept. Because of this deadlock a conciliation committee was asked to advise on possible amcndments before the directive went to the Council of Ministers.

Some concern is being expressed, however, over where responsihility will lie and what tha ramifications might he, not just *for the transport* and packaging industries hut for tha retail trade as a whole.

Ultimately, the directive ia likely to hring the costs of packaging, recycling and recovery within the overall costs of distribution. This, in turn, will prompt users to review the type and quantity of packaging being used so as to minimise those costs.

Already distrihutora of retail goods are exploring ways of suhstituting intermediate levels of packaging with re-usahle display palleta and are assessing the sultehility of standard outer packaging for transport.

According to Andy Rohson, director of the UK Institute of Grocery Distrihution, the hig retailers have hecn recycling sccondary peckaging for many years – "most have it taken to central warehouses, from where it is removed on a contract besis. Thc new directive will simply he an extension of that movement."

Howavcr, at this stagc, the Freight Transport Associntion would like to sce clarification of who is going to be responsihle for the handling of westc pnckaging.

"Experience from the functioning of the German packaging regulations (widely known as the Green Dot system hecause of the mark put on packaging to show it is recyclohle) suggests that road transport operators delivering goods to commercial or private customers may he hurdened with the task of removiug packagiug waste ond transporting it to e suitahle recycling point."

This practice ie commonly known as reverse deliveries or, reverso logistics, and, for cerriers, it is at the heart of the matter. Brian Bolam, managing director of TNT Contract Logistics (Europe) is quita clear ahout the onus of reeponsihility. "The hurden is on the originator," he saya.

Transport companies' main concarn, however, ie that some of their clients might make the placing of their business dependant on the carrier's agreeing to handle wasts, thus reducing the carriers' profitahility.

The Freight Transport Association is also worried ahout the market for recovered packaging, which it claims could seriously affect the viahility of the UK national recycling scheme unless genuine demand for recovered materials can be found.

"This needs to be resolved so that transport operators delivering goods are not left holding the bahy due to the collapse of suitahle outlets," says the FTA.

A similar point is made hy Michael Brown, professor of transport ot the University of Westminster, in London. He seya the German legisletion led to mountains of material for recycling. A similar Europe-wide scheme could affect the entire packeging market, he believes.

It is not just that demand for new packeging would decline and plenty of recycled packaging becomc availahle, hut that industry's aim would he to use less packaging as a whole. There would also he technical challenges. While eteel, aluminium, paper and glass are technically easy to recycle, plastics pose difficulties. Prof Brown seye some see the nuh of the problem simply as the fact that there is just too much packaging.

Mountains of waste peokaging: there ers no easy answers for solving the problem

Others argue that, if packaging is minimised, products might suffer – food could be tainted or products break in transit. The questions surrounding the directiva may, however, he more fundamental. Dr David Guest, operations director at UK-based PIRA, an independent technology organisation for the pockaging, paper, printing and puhlishing industries, says the kay question is whether tha directive will it be implemented.

He sees two mein prohleme. Firstly, some EU members, principally Germany and Belgium, do not consider the directive's proposals to be as strong as their own national legislation. Secondly, some other countries are concerned about the costs involved.

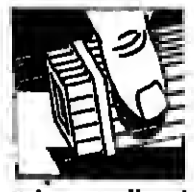
Optimism in the longer-term

The banks face tough demands

A ROCKY ROAD TO CAPITALISM

Consumer revolution grips Russia

Many of the world's biggest multinationals are rapidly developing their presence in Russia, reports John Thornhill



For the past 70 years, Russia has been a land without shopkeepers. In the Soviet economy, the retail trade almost ranked as an afterthought as industry manufactured products, according to the central economic plans, and pushed them through to the consumer irrespective of demand. There was little need to advertise; no need to woo the customer.

But as Russia starts the rocky road to capitalism, a great consumer revolution is under way. The process is most visible at the top of the market as status-conscious Russians snap up western trinkets. Posh boutiques, such as Christian Dior and Escada, now brighten up Russia's shopping arcades. The best-dressed clients of fashionable restaurants are no longer foreigners but the new generation of Russian *businesmyeni*. Stretch limousines cruise Moscow's streets.

The mass market is changing just as fast. Following a high-profile advertising campaign for Snickers chocolate bars, Russians joked that the country has now entered a third phase of economic development. First came industrialisation, then 'collectivisation,' and finally 'snickersisation' as 150m Russians satisfy their craving for consumer goods.

Thousands of kiosks, stocking Marlboro cigarettes and Absolut vodka, have mushroomed on street corners. The country's bold privatisation programme, which effectively transferred thousands of shops to their employees, is stimulating real competition between Russia's retailers. The more energetic entrepreneurs are flourishing while the less aggressive are going to the wall.

In such a fast-changing business climate, it is not easy for western companies to exploit the pent-up demand. Several retailers, such as Benetton, Panasonic, Julius Meinl and Galeries Lafayette, have opened stores. Littlewoods, the Liverpool-based retailer which started trading in St Petersburg in 1991, has also been one of the most adventurous companies to enter the market. Littlewoods has opened five clothing and food stores and is developing trading links with a large local clothing manufacturer with a view to exporting Russian-made goods. It says its stores are trading successfully and will continue to invest substantial resources.

But as a private company, Littlewoods can afford to adopt a longer time horizon than most. A thicket of bureaucratic complications, the ever-changing legal framework and the fast-growing pandemic of crime has made life difficult for the other pioneers. The political and economic risks remain high. No-one has yet produced accurate enough market research for consumer spending patterns to lend much confidence. Most leading western retailers are maintaining a watching brief on the market waiting for it to mature.

That has left western exporters with a problem. There are extremely few dependable western-style outlets through which they can sell their goods. That means dealing with Russian operators, who are inevitably inexperienced and often unreliable, or setting up their own distribution networks, which requires a big commitment.

Nevertheless, many of the world's biggest multinationals, such as Philip Morris, Procter & Gamble, Unilever, Mars, and RJR Nabisco, are rapidly developing their presence in Russia. The simplest approach for fast-moving consumer goods manufacturers is to stimulate the "pull" side of the marketing equation by making their goods available and making consumers want to buy them through advertising, which remains cheap by world standards, despite sharp price rises.

For example, Cadbury Schweppes, the UK chocolate and drinks manufacturer, has adopted just such an approach for its Wispas and Picnic bars and recently reported it was achieving annual exports approaching £10m.

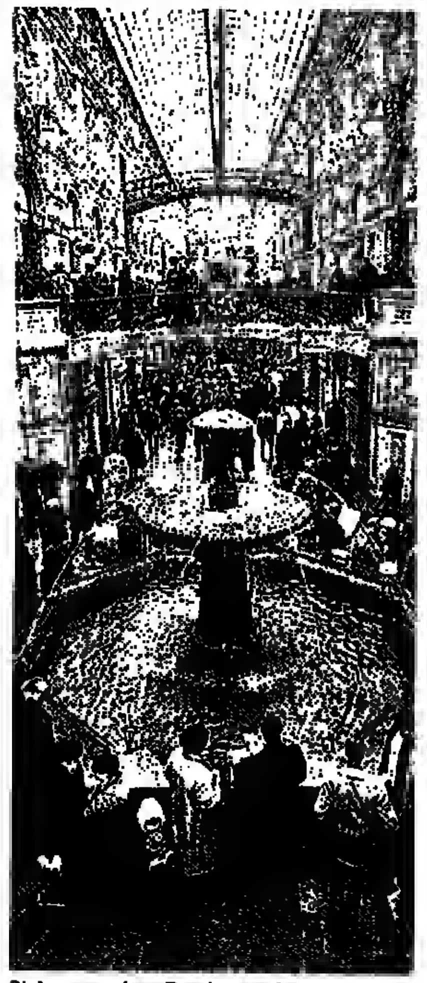
The US multinational, RJR Nabisco, has also targeted Russia as a fast-growing market and opened a secure warehouse in Moscow to supply its products, including Planters' peanuts.

"We started out small and conservative and we did not have an advertising blitz. We picked a few stores we wanted to be in – mainly the hard currency stores – and used it as our test market. That went well and then we started to sell for roubles to Russian distributors," says Mr Ruben Ter-Minasyan, a Moscow sales representative for RJR Nabisco.

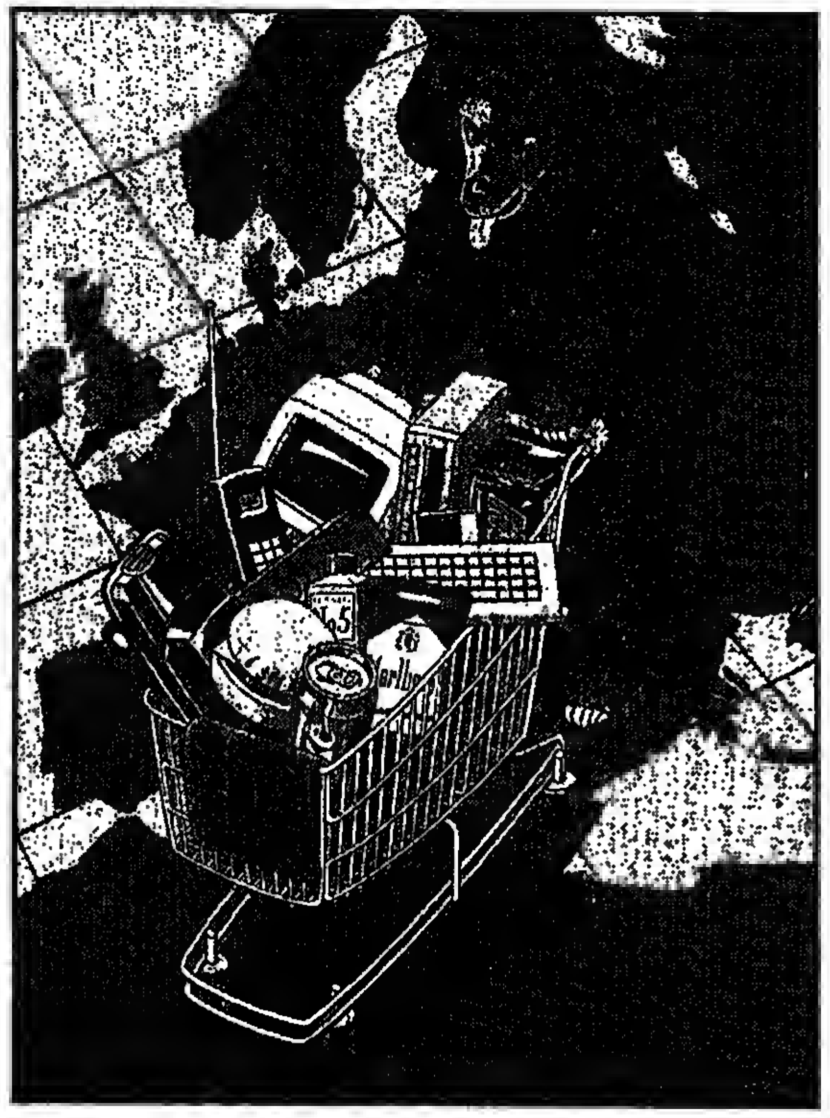
Nabisco advertises mainly through in-store promotions building up relationships on a store by store basis. The company also employs a large dummy Mr Peanut who tours around Moscow handing out free samples. Nabisco relies on Russian distributors to sell its goods in the big cities and says they are learning fast as the market develops.

"We are trying to work with the companies which like to work and want to work. The wholesalers could make astronomical profits one or two years ago of 50 per cent or even 100 per cent, but it is real work now. The margin is going down as the turnover is going up. Our wholesalers make 10 to 15 per cent margins and the retailers make the same margins, too," says Mr Ter-Minasyan.

At present, the balance of risk and reward is still unfavourably tilted against western investors, but that is rapidly changing. And while China's startling economic growth has obsessed western executives, it would be foolish to ignore Russia's potential. The country's painful economic stabilisation programme is at last paying some dividends, the sharp contraction of industrial production is slowing down, and the service sector is growing at a phenomenal rate. Those executives who laughed at talk of a Russian economic "miracle" are feeling a little less comfortable today.



Status-conscious Russians seek western trinkets at a large department store, close to Moscow's Red Square

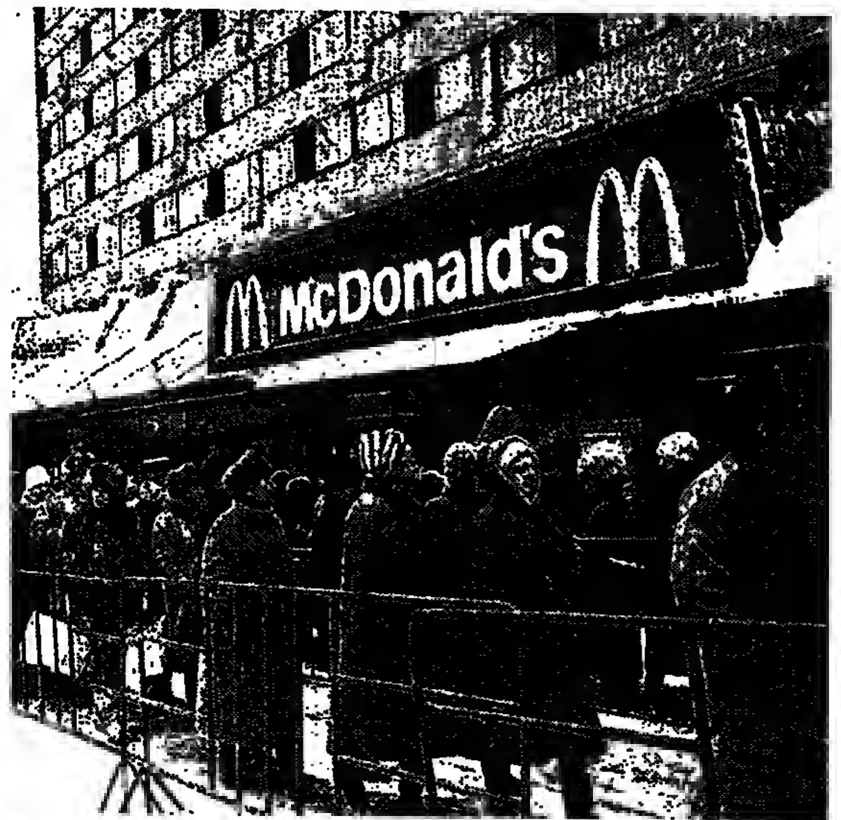


RUSSIAN FEDERATION: FORECAST RETAIL TURNOVER, 1994-1998

Rbs billion at constant 1993 prices

Retail sector	1994	1995	1996	1997	1998	% change 1994-98
Food	8,869	8,941	8,994	9,057	9,256	4.4
Non-food	7,026	7,256	7,286	8,294	9,256	31.7
TOTAL	15,895	16,197	16,780	17,351	18,512	16.5

Source: Euromonitor



Western style products, though often expensive, are in big demand across Russia. Above, on a cold day in Moscow, a long queue forms outside McDonald's restaurant

Pictures by Tony Andrews

EUROPEAN TRANSPORT

New network plans gather speed

The drawing board is now firmly in place to help provide Europe with a vastly improved transport system by the start of the new millennium, reports Anthony Bush

Big growth in freight traffic in the Single Market has put the European Union's infrastructure under increasing strain. From 1985 to 1990, road tonnage on internal EU journeys increased by 26 per cent from Denmark to around 50 per cent from most other countries to a massive 110 per cent from the UK. The only country for which figures showed a decrease for that period was West Germany, down 8 per cent.

The economic slowdown which characterised the early 1990s is certain to have slowed down the rate of growth since, but according to Simon Chapman, economist for the Freight Transport Association, "now we are out of recession there will be growth again, especially as more companies continue to exploit opportunities in eastern Europe."

His views echo those held by the EU, and plans for what has now been dubbed the Trans-European Transport Network are gathering speed.

Last December, Jacques Delors, president of the European Commission, set up a group of transport experts under Danish commissioner Henning Christophersen to look at 40 proposals mooted for the network. Their brief was to identify 10 priority projects that should be put under way as rapidly as possible.

Among other criteria needing to be considered, a Brussels White Paper set out that each one had to "have a positive economic impact, including improvements in the Community's competitiveness and technological performance; contribute to important Community objectives such as economic and social cohesion; allow scope for private investment in a broad sense; and be 'mature' so that they can be realised quickly."

Henning Christophersen has now reported back, and work on the following is said to have either begun or is "likely to begin within two years":

☐ The Brenner axis (high speed train/combined transport).

☐ A high speed train linking Paris-Brussels-Cologne-Amsterdam-London (the Channel Tunnel is part of this scheme).

☐ A high speed train between Madrid, Barcelona and Perpignan, which will also link Madrid with Victoria and Dax.

☐ A high speed train going east from Paris to Metz and Strasbourg. There will also be junctions joining Metz with Luxembourg and with Saarbrucken and Mannheim. In Germany itself, a similar service will run between Munich, Nuremberg, Erfurt, Halle/Leipzig and Berlin.

☐ A combined transport/conventional rail system from Rotterdam to the German border and the Rhine and the Ruhr.

☐ A high speed rail/combined transport system between Lyon and Turin.

☐ A motorway between Patras, in Greece, and the Bulgarian border, together with a west-east motorway corridor via Ignatia, Igoumanitsa, Thessaloniki and Alexandroupolis.

☐ A motorway between Lisbon and Valladolid.

☐ A rail link between Cork, Dublin, Belfast, Larne and Stranraer.

☐ An airport at Malpensa, Milan.

The total cost of these projects is estimated at Ecu68bn, ($84.32bn or £53.51bn) of which the EU will provide between Ecu 15bn and Ecu 20bn from regional funding. The remainder will be raised through private investment.

Martin Richards, director, Brussels, for the Freight Transport Association and the association's Permanent Representative to the Community, said the EU had both the desire and the will to create an integrated infrastructure. It recognised the importance of this not just because of the needs of the Single Market, but also because of the liberalisation of eastern Europe.

There was a likelihood that several countries from that region would join the Union. But, even if they did not, there would still be a big increase in trade as the eastern region looked more towards the west, said Mr Richards. The EU also had a strong desire to encourage the development of inter-modal systems – which is the movement of goods by a variety of means. One of the principal aims was to make more use of rail and waterway systems to reduce the numbers (and effects) of lorries on the roads.

But this, said Richards, should not be confused with what was termed the "network routes."

The latter was about integration – that is, if a new port was built, then both a road and a railway should link up with it and there should, if possible, be an airport nearby. He added that the Commission was taking a particular interest in the resurgence of coastal shipping, which, as well as freeing crowded roads from traffic, could be used for feeding inland waterway systems.

Although the EU itself does not get involved in inter-modal projects as such, some years ago it started a funding programme to encourage private and state enterprise to pursue projects believed to be worthwhile.

Called PACT (the Programme of Assistance for Combined Transport), it pays for studies, market research and trials for approved projects. One recent PACT funding has been for a comprehensive study looking at piggy-backing – the loading of trailers (rather than containers from trailers) on to trains.

To win approval, a project must be genuinely inter-modal and pan-European.

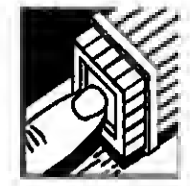
Several advances towards increasing inter-modal transportation have taken place recently, including, of course, the Channel Tunnel.

Two other projects considered particularly significant have been the UK government's agreement to allow an increase in weight (38 tonnes to 44 tonnes) for lorries feeding railheads; and the start of a twice-weekly train service between Rotterdam and Verona, where there is a large terminal for onward movements.

The Freight Transport Association is, says Martin Richards, in favour of inter-modal systems – "but," he points out, "it's not the panacea that many environmentalists believe. As laudable as the aims are, the vast majority of journeys, apart from in large countries like France, are only about 40 miles.

"Clearly, such short trips are not worth the effort and cost of double handling; and, in some cases, and in the UK in particular, railway networks are not extensive enough – they don't go where they used to, or where they ought to."

The French TGV Atlantique: Europe has plans for more high speed rail networks



TRANSPORT: Integrated projects such as the Channel Tunnel, new high speed rail networks and motorways will help ease Europe's transport bottlenecks

Banks face increasing competition

Continued from facing page:

business to the requisite department.

An invoice presented for factoring is referred through the regional international manager to Barclays Commercial Service which acts as the exporter's factor and makes a service charge. A leasing enquiry is referred to Barclays Leasing and a request for a buyer credit or project finance structure is directed to Barclays de Zoete Wedd.

The export financing efforts of the "big four" banks draw feint praise from the Institute of Export whose recent survey of exporters' experience of banking services found small to medium-sized exporters, who account for 56 per cent of UK exports, unhappy with the general lack of understanding of their problems by local bank managers and the trend towards greater centralisation. Barclays has, to some extent, met this charge with its Tradeflow scheme for small exports.

One practical complaint, meanwhile, is the way that foreign receivables – even from blue chip European companies – are shrugged away as collateral by British banks.

The Institute would like the banking industry to start thinking European. Top management is aware of the need to change these hidebound insular ways, but some old habits can die hard.

Commerzbank is an old established medium-sized German bank. Its 12 per cent share of total German foreign trade is only eclipsed by Deutsche Bank and Dresdner Bank. What it lacks in muscle, it has to make up with reliability, a fast response time to executing orders and being flexible to customers' requirements.

It offers a wide range of payment services for German exporters to receive export proceeds and is in a position to provide various kinds of short-term financing including: overdraft facilities, short-term loans up to 360 days at fixed interest, discounting of Bills of Exchange with recourse to exporters, discounting of receivables resulting from deferred payment and l/cs confirmed by Commerzbank without recourse to the exporter.

Subject to the bank's readiness to assume country risk, the bank is prepared either to confirm l/cs if so instructed by the opening bank and, in the absence of such an instruction, to accommodate the exporter with silent confirmation.

The bank also offers a range of guarantees/bonds including bid bonds, performance bonds and payment/downpayment guarantees.

Medium-term export financing in Germany is highly competitive. Around 50 per cent is spoken for by Kreditanstalt für Wiederaufbau (KfW), the government-owned finance provider.

Unlike the commercial banks, KfW is not required to make a profit and recently had its charter changed to enable it to bid for OECD business – although its roots are still firmly in emerging markets and the developing world.

Much competition focuses on the 15 per cent of commercial risk (down and interim payment) not covered by Hermes, the official German export credit insurer.

The main medium-term export business is in buyer credits. Commerzbank evaluates the rating of the borrower's country, the rating of the borrower (and what collateral it has outside the country), as well as the status of the German exporter, before determining what part of the commercial risk it is prepared to take on.

Supplier credits are less popular because there is still some recourse to the German exporter in the event of default. Hermes does not insure general credit lines, but Commerzbank arranges credit lines with foreign banks which are a way for foreign importers, approved by Commerzbank, to purchase German goods and services. Once a German supplier has been found and approved, the deal can be covered by Hermes.

Commerzbank offers a variety of ways for the exporter to cover its exposure. A common one is a forfait financing. Commerzbank runs a four-person unit providing this service. The bank also arranges Euroloans mainly through its affiliates and branches in Singapore, Luxembourg and London to cover the commercial financing of big export orders.

Exporters have become far more streetwise in approaching banks for finance and are more prepared to shop around. The big exporters are hiring foreign exchange dealers and other specialists to better define their export finance needs. Nevertheless, there is still a demand from small to medium sized exporters for advice on how to package their needs.

The first point of contact is the local branch which usually deals with all credit requests under one year.

The general rule is that any business that falls within a framework of standardised loans may be done at branch level, including certain foreign country risk assessments related to the confirmation of l/cs. But all medium to long term loan business has to be referred to head office.

When it comes to obtaining supplier/buyer credits banks and exporters will generally approach Hermes in tandem.

Sometimes an exporter will come with export cover already confirmed.

German exporters arguably appear to have a better relationship with their banks than their UK counterparts – perhaps reflecting a culture which some regard as more consciously "international."

Their focus is shifting to seeking additional or alternative finance in the countries to which they are exporting – as well as in Germany. Local banks also face increasing competition from specialised export financing banks within Germany and Europe as a whole, and from international credit insurers – a trend welcomed by German exporters, says Hans Juergen Mueller, managing director of the Federal Association of German Export Trade.

Deutschmarks to Dieter?

Rich potential in Latin America

TRADE FINANCE SERVICES

The banks face tough demands

Efficient financing is vital for effective export promotion. Alan Mackie looks at the way two banks, the UK's Barclays and Germany's Commerzbank, organise and manage export financing services

Barclays Bank is still the biggest of the "big four" UK banks, despite a bruising shake-out over the past two years. Its strength in export finance is built on a network of over 1,000 overseas branches in more than 70 countries, which provide market intelligence on local conditions and credit risk. It has developed a range of trade finance products tailored to the most complex demands of buyers – be it an ECGD based package, a deal involving forfaiting, credit insurance, factoring or a combination of different products.

Factoring is a popular payment mechanism because it generates immediate cash. Barclays also does a fair amount of invoice discounting in addition to conventional confirmation of letters of credit (l/cs).

Barclays has two special schemes, Tradeline and Tradeflow. Tradeline is a short term financing facility for exporters that already have insurance. This enables an exporter to offer credit to foreign buyers with whom it has never traded before. Tradeflow is a short-term revolving loan facility backed by Barclays own credit insurance policy that provides credit for businesses with an export turnover of less than £2m a year. Unlike conventional cover, which is taken out on total turnover, this scheme offers the small exporter insurance on individual export orders, as long as finance is taken.

Conventional ECGD backed buyer and supplier credits can be extended up to 10 years – or more, depending on country and product – and deals can be negotiated in a broad range of foreign currencies. Barclays also specialises in combining ECA cover with other products and services. General lines of credit are put in place with overseas banks to facilitate this kind of trade.

A forfait can be popular because of its user friendliness and great flexibility. It provides up to 100 per cent finance on a non-recourse basis, meaning that, unless exporters are in some way in default, they will not have to return funding if, for example, the buyer subsequently does not make payment. Barclays also arranges leasing finance and syndicated structured loans for bigger export orders.

Services are organised by customer need: the provision of finance; payment protection; and assistance with payment collection. The starting point is the local branch manager. Branches are equipped to deal with all short term finance (up to one year), as well as the Tradeline and Tradeflow schemes.

Where more specialised or medium term assistance is required, customers are channelled to more specialised departments.

Enquiries, for example, for longer term credit or for more specialised services are referred either to the regional international manager or the director of the trade finance unit who, having established the specific service needed, will direct the

continued on facing page

View along Fox Street, Johannesburg's central business district — Picture by Glyn Genin

Winning orders in Africa

Continued from previous page:

over 5,500 workstations and was secured against tough local and international competition as NDL could meet Telkom's requirements for "connectionless" network implementation.

Software companies did well selling into the cellular market, observes Mr Cox. Smaller exporters have also developed niche sales: Weybridge-based STT Badalex was awarded a £3.5m contract in June by Consolidated Lamp Manufacturers Pty (CLM) for the delivery of its specialised manufacturing equipment for lamps. CLM, whose shareholders are GEC Alsthom, Barlow Rand and Philips, will site the equipment in Port Elizabeth.

For all the region's potential, there are still substantial problems facing exporters to South Africa. One, now being tackled by the General Agreement on Tariffs and Trade, is the question of high import tariffs. There is also intense competition from German, Japanese, US and other exporters. While UK companies have "an inside track to some extent, they cannot rely on the empathy factor," says Chris Cox.

South Africa is a focus for UK official financial support for exporters. Fifteen ECGD-backed credit lines are in place, including, for example, a £30m line, funded by Kleinwort Benson.

By August this year, ECGD exposure to South Africa stood at £1.35bn and UK government sources indicate that over £1bn in unused capacity is still available. This makes South Africa the third most important market in the world for ECGD, after China and Hong Kong.

The late September trade mission "opened up some very significant industrial contacts," says Mr Robinson of Trafalgar House. Mr Michael Heseltine, president of the Board of Trade, has hailed South Africa as the gateway to the rest of the continent for UK investment and trade. Certainly in terms of contract awards, it dominates. And in many cases, companies active in the republic are also operating elsewhere in sub-Saharan Africa: Davy International, for example, is "actively pursuing" business in Zimbabwe, C&W has a management deal in Botswana, Badalex recently landed its fifth national contract in Nigeria. EME is active in Zanzibar and Zambia.

which makes South Africa one of the biggest markets for the UK's export credit the year, and its import bill has been soaring. In the first six months of the declared commitment to start lowering import tariffs in line with the Gatt agree- UK contracts in Africa. See Jon Marks report on the facing page.

EXPORTS AND AID

Eximbank asserts US drive for exports

The wiles of Wall Street are being applied in the fight for emerging markets, reports **Nancy Dunne**

The chairman of the US Export-Import bank, Mr Kenneth Brody, is taking increasingly assertive steps to win export markets for the US. In particular, the former investment banker is attempting to counter other governments' practice of tying aid to export contracts with developing countries.

Using a $150m "war chest" – the Tied Aid Capital Projects Fund, which with leverage can raise up to $500m-$600m – Eximbank is attempting to head off other countries' offers with its own, matching promises of tied aid.

"I believe American jobs are created by American exports," said Mr Brody. "The way to get there (to an elimination of tied aid) to is to show the other countries that their tied aid offers won't get them any benefit."

The programme has infuriated US rivals who are accustomed to a US government operating above the commercial fray.

For years, Republican administrations preached to their industrialised competitors the joys of unsubsidised financing. This resulted in 1992 in an agreement by countries of the Organisation for Economic Co-operation and Development *(OECD) to reduce the use of tied aid.*

The pact established a notification process requiring governments to inform the OECD 30 days before making tied aid offers. During that period other governments can challenge the proposed offer as ineligible under the OECD pact. Rules prohibit tied aid to upper income and upper middle income developing countries which are ineligible for World Bank loans of 17 and 20 years. This excludes Brazil, Hong Kong, Korea, Taiwan and Venezuela.

The rules eliminate some commercially viable projects, which could attract standard commercial loans because they can quickly generate sufficient revenues to service the debt, and they create tied aid "free zones" in Mexico, *central and eastern* Europe, Russia, Ukraine, five other former Soviet republics, and the Baltic.

The pact has slowed but not ended the practice, however. Last year, tied aid funding fell to $6.9bn from $15.5bn in 1992. But US officials, noting an increase of tied aid offers in the first four months of this year, fear it may be rebounding.

Until April, Eximbank only acted if the US believed its rivals violated the rules of the Organisation for Economic Co-operation and Development. Under its new policy, it matches offers even if no rules are broken.

Since then the bank's board has approved nine tied aid offers and turned down one out of concern about its military aspects. In its half yearly report to Congress it claimed success in deflecting foreign tied aid offers for many commercial projects, including manufacturing facilities, power plants, power transmission lines and equipment, hydropower plants, and telephone equipment.

Eximbank insists it offers tied aid financing only after foreign offers have been relayed to the OECD and have cleared multilateral consultation procedures.

The bank's plan is to reserve most US tied aid to challenge foreign offers which would lock in a long-term commercial advantage for competitors to US companies and for deals which would allow US companies to exploit early market penetration opportunities.

When foreign tied aid offers are on the table conditionally or informally, but the OECD has not been notified, the US will issue a Tied Aid Letter of Interest, promising to match the competitor's terms. The letter can be converted into a tied aid preliminary commitment when a foreign offer is passes through the OECD procedures.

On occasions it has received advance word that competitors are planning to offer tied aid and rushed in with a "no aid common line." Where this is rejected, Eximbank indicates to US companies that it would look with favour on a request for a matching offer. It will also contact the rival government to indicate its plans to match. The level of concessionality and the risk involved in a tied aid offer discourages Eximbank bidding.

"Our board would not want to match pure grants," an official says. "We're not in the business of totally giving things away."

Under Mr Brody's leadership, which has brought the *chutzpah* and wiles of Wall Street to Exim Bank, its total lending, guarantees and insurance could reach $15bn for the second year in a row. He has re-organised the bank for its role as a key player in a US export drive, pushed project finance to new heights, boosted US firms in the 'emerging markets' and promoted foreign sales of US environmental products.

INTERNATIONAL RETAILERS TARGET RUSSIA

Optimism in the longer-term

Fashionwear retailers from Britain, Germany and Scandinavia have ambitious plans for new outlets in Russia, reports Rod McNeil

Prize possession: a Moscow couple struggle home with a new television set — Picture: Tony Andrews

International retailers are increasingly seeking to carve out a significant market niche in Russia, a country short on quality retail outlets.

In Moscow and larger cities, entrepreneurship is thriving and shops are beginning to transform themselves from mere distribution points to much more attractive sales venues.

Stockmann, Finland's premier retail group, experienced a jump in retail sales in Russia from less than $10m in its first year of operation in 1989 to an estimated $85m this year.

Sales in the six months to end-June surged by more than 60 per cent, helped by the opening of a new clothing store in Moscow in December 1993, and the summer 1993 opening of a grocery store in St Petersburg. Less than 5 per cent of all products sold are locally sourced, providing important opportunities for foreign product suppliers. According to Ilkka Arvola, director in charge of international operations at Stockmann, sales per square foot are currently almost double those in Finland, and shrinkage of 2 per cent is comparable to Finnish operations. Profits, he claims are "very satisfactory," in spite of a tendency towards higher taxes and customs duties.

The company plans to open a full scale department store in St Petersburg in 1996, and later in Moscow, but Stockmann is still searching for an appropriate location.

Meanwhile, Littlewoods, the international retail and leisure conglomerate, doubled the trading space of its first two stores – opened in St Petersburg in 1991 – last year and now has five stores in Russia, with annual sales of around $10m.

Basic fashion commodities sell particularly well and the company plans to expand the range of products on offer. Malcolm Landau, director of European retailing and wholesaling at Littlewoods, says: "In overall terms, sales and gross contribution per square foot are substantially better than in the UK. There is also much more rapid stock turnover and lower stock levels."

Landau adds that the product mix is increasingly moving towards locally-sourced merchandise.

Significantly, the operating environment, though difficult, is improving – "the most important change is the improving economic situation. Also, an increasing percentage of the population has a disposable income.

"I believe the long-term retailing opportunities are extremely good; the short-term outlook, however, must remain mixed as it is very difficult to predict the immediate economic and political situation." Littlewoods eventual aim is larger stores, concentrating on the bigger urban conurbations – "we hope to launch a full-scale chain store, probably in St Petersburg, during the next fifteen to eighteen months, if not sooner."

Karstedt, the German department store operator, has chosen a a different path, supplying internationally-sourced products to four niche stores – European-style fashion wear, children's clothes and toys, optics and sports gear and equipment – located within Moscow's long-established Gum department store.

The stores, totalling around 2,000 square metres, are run and operated by Gum, but Karstedt provides know-how and financial assistance for store layout, decoration and general merchandising skills. To date, Karstedt has invested some DM3m in upgrading the four Gum-run stores.

Peter Lang, finance director of Karstedt, observes: "Sales last year totalled around DM30m. There has been a small increase in the first seven months of this year compared with the same period last year, with textiles and fashion goods generating the largest share."

The company, he adds, is happy in principle with the venture, but there are no immediate plans to expand the pilot venture.

short-term basis generally receive terms of 90-180 days, although 360-day structures

Letters of credit: risks and rewards

Fresh hope for Afro-optimists

Sir Michael Palliser, who led a high-level and well-received British trade delegation to China in mid-September. Right: a traffic jam along the Shanghai waterfront

BRITAIN IN CHINA

The pace of investment quickens

For all the voices of doom about the effects of the Hong Kong row, China's huge infrastructure demands are likely to create big opportunities for UK companies. There are already 600 British-invested joint ventures in China, reports Tony Walker

Sir Michael Palliser, president of the China-Britain Trade Group, is optimistic about prospects for British trade and investment in China in spite of lingering problems over Hong Kong.

Senior Chinese officials had indicated, he said, a wish to separate politics from business in this testing phase leading up to China's resumption of sovereignty over Hong Kong in 1997.

Judging by the latest figures which reveal buoyant two-way trade and strong British investment growth, the vexed Hong Kong issue has not as yet made a big impact on Sino-British business, but UK companies remain wary about possible fallout.

Sir Michael, who led a high-level British trade delegation to China in mid-September, said Chinese officials including vice premier Li Lanqing, had gone out of their way to stress the importance of the business relationship, and this augured well for Sino-British trade.

"Whatever the political difficulties it is important to continue to do business with China which is developing at a formidable rate. Of course, it would be desirable if political relations between the two countries were easier but in terms of doing business we don't see great problems," Sir Michael told reporters in Beijing.

In the first six months of this year, Britain's exports to China grew by 17.3 per cent to £420.2m compared with the corresponding period last year, while imports rose by 37.9 per cent to £731.9m ($1,211m), *(see the table of statistics on this page)*. Among European Community countries Britain ranks fourth in exports to China behind Germany, France and Italy.

But in investment, UK companies lead the pack, according to figures supplied by the Ministry of Foreign Trade and Economic Co-operation (Moftec). These show that, cumulatively, British-pledged (as opposed to actual utilised) investment in China between 1979-1993 reached $3bn, more than double that of Germany, its nearest competitor.

In utilised investment, however, it ranked just behind France. Britain's actual investment in China had reached $578m by the end of 1993 compared with $602m for France. Britain's pledged investment of $3bn (£1.9bn) placed it in sixth place on the table of top ten investors in China behind Hong Kong, Taiwan, the US, Japan and Singapore.

British trade officials in Beijing say the official figures almost certainly understate Britain's involvement since a portion of Hong Kong's investment on the mainland is of UK origin. At this sensitive moment in Sino-UK relations, many British companies wish to remain in the background.

But there is no doubt that as far as investment is concerned, the pace is quickening. Figures show that last year alone, $1.99bn of UK investment was pledged, more than twice the figure for the previous decade. This squares with anecdotal impressions indicating that the scale of British investment is increasing with greater emphasis these days on larger projects as companies such as Pilkington and ICI become more confident about the Chinese business environment.

China's huge infrastructure demands will almost certainly create big opportunities for British companies such as GEC which is negotiating equity involvement in a power plant in Zhejiang province south of Shanghai, under a build-operate-transfer (BOT) scheme.

For all the voices of doom about the effects of the Hong Kong row, Britain's business presence on the ground is fairly impressive. Among 600 British-invested joint ventures are some of the UK's most prominent companies, including BP and Shell, Rolls Royce, Glaxo and SmithKline Beecham, Zeneca, Coats Viyella, Allied Lyons, Cadbury Schweppes and BTR, to name just a few.

Service organisations such as banks, securities houses, insurance companies, advertising agencies, legal and accountants firms are also proving to be extremely active. Hong Kong and Shanghai Banking Corporation and Standard Chartered are extending their reach; National Westminster recently established a presence in Shanghai; Jardine Fleming and Barings are among the more prominent foreign brokers; Saatchi and Saatchi has several offices in China; Sedgwicks was recently granted a broking licence; and Coopers & Lybrand has ambitious plans for a network of partnerships with local accounting firms.

Indeed, it is the services sector that may well provide the greatest scope for increased British involvement. With China's huge appetite for capital, it would be surprising if the Chinese did not turn increasingly to the London Stock Exchange and City of London institutions for financial assistance and advice.

But industry is also laying what appears to be a solid foundation for expansion. BP, for example, concluded an agreement in May this year for a 51 per cent stake in a U$100m acetic acid plant in Chongqing, Sichuan province; Coats Viyella has invested some U$100m in a web of mills, mostly concentrated near Tianjin, east of Beijing; Unilever, through its Walls ice-cream group has outlayed U$50m to establish a factory and distribution network in Beijing; BTR is investing about U$90 in a bottling plant near Guangzhou in southern China; Pilkington which was involved in the establishment of a float glass project in Shanghai in 1983, is engaged in three other projects.

Companies such as Rolls Royce, which have been exporting to China for many years, are also doing well. The UK company recently won a big order to supply 42 of its RB211-535 jet engines for Boeing 757's bought by Chinese airlines. Rolls Royce says it is confident of winning further orders.

But as the China market continues to open, so does competition become more intense, with the Americans staking a claim for a bigger share. The recent high profile visit to Beijing of Mr Ron Brown, the US Commerce Secretary, at the head of a delegation of 24 chief executive officers of leading American companies is just one indication of an intensifying US focus on China.

As Sir Michael Palliser of the CBTG says: "Our main worry is not competition from other Europeans, but from the thundering herd of Americans coming in."

☐ On a general economic front, China is redoubling its efforts to contain inflation with a new campaign to curb rises in the prices of grain, cotton and chemical fertiliser.

New figures from China's State Statistical Bureau show that consumer prices in 35 main cities rose 27.1 per cent during the year to August, compared with 24.2 during the year to July. The July-to-August inflationary surge prompted an announcement by a worried leadership that fighting inflation would be the government's main priority for the rest of this year.

CHINESE AND ASIAN TRADE WITH EUROPE

Values in £m

	1992	1993	1994	1993	% change
UK-CHINA TRADE					
Exports	430	739	420.2	358.1	+17.3
Imports	954	1,327	781.6	566.6	+37.9
UK-TAIWAN TRADE					
Exports	545	668	384.1	322	+13.1
Imports	1,394	1,917	817.9	753.4	+8.5
UK-HONG KONG TRADE					
Exports	1,619	2,170	1047.1	958.5	+9.2
Imports	2,397	2,998	1,393.6	1,319.6	+5.6
UK-KOREA TRADE					
Exports	654	798	472.2	405.9	+16.3
Imports	934	1,078	515.0	498.6	+3.3

COMPARATIVE PERFORMANCE: PERCENTAGE SHARE OF OECD EXPORTS TO CHINA

Country	1988	1990	1991	1992	1993
Germany	10.1	11.3	9.8	11.1	12.5
France	6.9	6.8	5.8	4.5	8.6
Italy	5.4	4.0	6.1	4.5	5.8
UK	2.8	3.8	2.2	2.3	2.5

COMPARATIVE PERFORMANCE: SHARE OF OECD EXPORTS TO HONG KONG

Country	1989	1990	1991	1992	1993
Germany	6.1	6.0	5.8	5.9	5.8
France	3.7	3.8	3.5	3.4	3.8
Italy	4.6	4.9	4.8	4.5	4.7
UK	6.2	6.8	6.5	6.1	6.2

EXPORTS IN 1993: VALUES IN US$m

	CHINA	TAIWAN	HONG KONG	KOREA
OECD	45,102	n.a.	51,680	49,900
Germany	5,795	3,515	3,010	3,448
France	1,599	1,105	1,986	1,202
Italy	2,624	1,205	3,433	1,763
UK	1,111	1,002	3,198	1,195

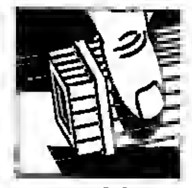
In the first six months of this year, Britain's exports to China grew by 17.3 per cent to £420.2m compared with the corresponding period last year, while imports rose by 37.9 per cent to £781.8m. Among European Union countries, Britain ranks fourth in exports to China behind Germany, France and Italy, but in investment terms, Britain leads the way with $3bn (£1.9bn) between 1979-1993, more than double that of Germany.

Sources: Overseas statistics of the UK, CDO; OECD, Series A; OECD; IMF, Trade Statistics Quarterly

ISLAMIC TRADE FINANCE

A valuable selling point

Demand for Islamic trade finance is set to increase significantly over the next few years as economic liberalisation measures finally take hold in a number of Islamic countries, writes Mushtak Parker



For companies selling into the Muslim world, Islamic trade finance has emerged as an increasingly available – and used – option for funding deals. Its appeal for ethical and commercial reasons to importers in 46 Islamic countries can be an important selling point.

The access to funding it provides offers the potential to increase an exporter's capacity to sell into markets where other forms of financing may be constrained. It does this by tapping funds available in the Islamic banking system, which are variously estimated at between $20bn to $80bn.

Islamic banking is based on the explicit Quranic prohibition on *riba* (interest). It, instead, puts emphasis on risk-sharing, by which the yield on a transaction is calculated on a profit-and-loss basis, with the institution which arranges the transaction taking an agreed management fee.

Islamic funding has gained increasing momentum in the 1990s, especially for short-term trade credits, where the best instrument, the *morabaha* contract, is now an internationally accepted mode of financing.

Morabaha is used to fund trade-related transactions on a cost-plus funding basis. Under this structure, the Islamic financier purchases the export from the supplier and sells it on to the importer, taking a profit (mark-up) usually close to the prevailing cost of borrowing.

A market leader is the *morabaha* facility pioneered by the Faisal Islamic Bank of Bahrain (FIBB), a subsidiary of the Genève based Al Maal Al Islami Trust (DMI), a leading Islamic financing group led by Prince Muhammed Al-Faisal, son of the late King Faisal of Saudi Arabia. FIBB reports arranging 22 *morabaha* syndications totalling $2.05bn in the last decade, mainly for export and lease financing for Pakistani state enterprises.

Islamic trade finance encompasses a growing range of products including *ijara*, a leasing facility, project and equity finance, letters of credit, shipping and other guarantees, virgin trade bills and instalment sales. Moreover, *istisna* and *salam* are two types of forward contract for the sale of goods where the price is paid in advance and the goods are delivered at a future fixed date.

Although mainly still a short-term instrument, there is considerable potential for Islamic financing to be used for larger contracts requiring longer term financing. Islamic banks have provided two elements of the $1.89bn Hub River power project, including a pioneering $93m *istisna* facility, arranged by ANZ International Merchant Banking and Al-Rajhi Banking and Investment Corporation (Arabic). In this operation, the Saudi Arabian bank Arabic will buy purpose-built equipment from western suppliers through advance payment and resell it to the project sponsor, Hub River Power Company (Hubco), at a mark-up.

Islamic principles are slowly being integrated into Muslim countries' trading regimes. Bank Negara, the Malaysian central bank, has pioneered a bilateral payments system based on Islamic banking principles for trade with developing countries such as Iran, and an export credit refinancing scheme.

The relevance of Islamic instruments for selling into the Muslim world is illustrated by the increasingly active role taken by western institutions, including Citibank International, Kleinwort Benson, ANZ Grindlays Bank and Standard Chartered Bank.

Citibank arranged its first Islamic trade finance in Malaysia in the early 1980s. According to Atiq Ur Rehman, the bank's vice president for corporate affairs, responsible for Islamic trade finance, in 1993 Citibank's London office arranged mainly short term Islamic *morabaha* commodity trade finance totalling $6bn. Kleinwort Benson and ANZ arranged similar transactions, totalling $4bn and $400m respectively, also through London.

Most of the financing arranged by western banks is for blue-chip European and North American corporations, bankers say. Islamic investors place funds with western banks to be invested under Islamic banking principles. Specialist banks have developed their own in-house expertise to act as the arranger matching the Islamic funds with potential users, and in some cases have established segregated Islamic banking units.

Anwar Ibrahim, Malaysia's finance minister, is encouraging local banks and branches of foreign banks to open 'Islamic windows' to offer Islamic products. His country is developing a dual banking system which could form a model for systems elsewhere

The leading commercial Islamic groups include the Saudi Arabian-owned DMI, Arabic and Shaikh Salah Kamel's Dallah Al Baraka group; Kuwait Finance House and the Kuwait-based consortium The International Investor; Bank Islam Malaysia Berhad (BIMB); and Dubai Islamic Bank. National markets are catered for by Islamic institutions in countries such as Pakistan, Sudan, Iran and Turkey. The Arab world's largest bank, National Commercial Bank of Saudi Arabia is establishing a substantial Islamic operation.

Islamic banks are creating niche markets. Arabic's London office, for example, is pioneering aircraft and tanker leasing using the *ijara* contract. The International Investor, Al Baraka and others are developing equity funds.

The largest Islamic trade and project finance institution is the multilateral Islamic Development Bank (IDB), based in Jeddah but owned by some 46 Islamic countries through equity subscriptions. The IDB has raised its capital to over $6bn in anticipation of increased demand. It already runs specialist trade finance schemes including the Islamic Banks' Portfolio for Investments and Development, which provides financing with commercial banks; the Longer Term Trade Financing Scheme, which emphasises exports of non-traditional goods; and a trade-related Unit Investment Fund.

The IDB is now boosting its trade finance activity with a new subsidiary, the Islamic Investment and Export Credits Guarantee Insurance Corporation. This new institution has been advised by a London political risk specialist, Investment Insurance International, part of the Bain Hogg Clarkson group.

Islamic institutions are also starting to feature in larger projects, including those requiring multi-source financing, which combine financing backed by export credit agencies, multilateral agencies and commercial banks. Examples of this include the $92m *istisna* and $110m *morabaha* facilities arranged for the multi-sourced Hub River power project.

Demand for Islamic trade finance is set to increase significantly over the next few years as economic liberalisation measures finally take hold in a number of Islamic countries. It could also flourish in high growth economies such as Malaysia, Indonesia and the Gulf States. Islamic trade finance, says Hussein Lawai, president of Pakistan's Muslim Commercial Bank (MCB), is ideally suited to the competitive environment of the free market economy with its free trade, open capital market and minimum government intervention.

Malaysia is developing a dual banking system which could form a model for systems elsewhere. This involves a conventional interest-based system and an Islamic interest-free one operating side-by-side, but not interactively.

Anwar Ibrahim, Malaysia's finance minister, is encouraging local banks and the branches of foreign banks to open "Islamic Windows" to offer Islamic products and to compete with BIMB and other Islamic institutions.

WINNING CONTRACTS IN AFRICA

Experience and relationships are vital

In South Africa, UK exporters face intense competition from German, Japanese, and US companies, reports Jon Marks

Longstanding social and business links between the UK and South Africa were underlined during the visit of prime minister John Major to the republic in September – *see the regional focus, on the facing page.*

"The strength of the relationship is a very important factor," emphasises Ian Robinson, chairman of the engineering division of Trafalgar House, who was a member of Mr Major's mission.

Many of these links pre-date South Africa's emergence from apartheid and sanctions. Trafalgar House subsidiary Davy International has been supplying equipment to the region's metals processors for over two decades. It won an order in early 1993 for some £200m worth of hot and cold rolling mills to the Columbus stainless steel plant, "where UK technology and UK finance are pivotal," says Mr Robinson.

Davy has since secured another contract for the supply of aluminium smelting furnaces for the smaller Alusaf project for which the UK's Export Credits Guarantees Department (ECGD) announced a £15m project supply line in conjunction with Hill Samuel in April 1994.

Experience in the South African market and established links are still critical factors – "it's a conservative country," says a banker active in providing trade finance for South African buyers.

Other companies such as John Brown Engineering and Rolls Royce have enjoyed a presence there for much of the last 30 years, with involvement in areas such as offshore hydrocarbons development and sales of aerospace engines. Over this period, trade has become increasingly linked to investment.

The Industrial Power Group of Rolls Royce operates a local subsidiary company NEI South Africa to tap into the market for industrial power products.

The transfer and application of new technology is now a prime feature of UK export contracts to South Africa, says Chris Cox, the Department of Trade and Industry's export promoter for South Africa. "There has been a lack of investment in machinery," adds Mr Cox, who spent 13 years at Cable & Wireless (C&W) before secondment to the DTI, and has lived much of his life in southern Africa.

Bronx Process Engineering, a UK firm which is involved with the Columbus project, has been selling to South Africa for 25 years. Mr Malcolm Roberts, the company's managing director, says that relationships, developed over many years, have formed the most crucial element in the company's success in the region, though he also emphasises that it adopts a competitive pricing strategy.

Bronx specialises in processing equipment for the steel and aluminium industries. It was a nominated sub-contractor to the main Columbus contractor Davy for a £14m sub-contracting deal. The contract involved the refurbishment of old machinery and the delivery of new equipment – currently being installed at Columbus – to prepare coils for the rolling mills.

Long-term financing played a key part in negotiations for the Columbus deal, says Mr Roberts – "it was eventually done by Davy, through Kleinwort Benson."

Bronx has also won another South African contract, worth £5m, for equipping Trident Steel, part of the large Anglovaal group.

The development of local infrastructure is a source of contracts, but significant orders often call for a commitment to invest. East Midlands Electricity (EME) has injected working capital of £200,000 into the Phambili Nombane joint venture signed at the end of 1993 with South African and French partners. The consortium expects to deliver electricity by 1996 to the township of Khayelitsha, 30 miles from Cape Town.

EME acts as the agent for its South African partner Eskom, which will meet the costs of the project. EME is overseeing the construction, operation and maintenance of the distribution system and provides customer services such as meter reading and billing.

In a small, but growing, mobile telephone market, C&W has taken a 25 per cent stake in Mobile Telephone Network (MTN), which received a 15-year operations licence in 1993. The network began operations in April in Pretoria, Durban, Cape Town and Johannesburg, and is in competition with the Vodacom network involving fellow UK concern Vodaphone. Part of the deal involves installing pay-phones in townships, which then connect to the MTN network to become static cellular phones. C&W expects eventually to invest around £25m in MTN, and has awarded a sub-contract to a UK company for the supply of a digital access cross-control "running into millions of rands," says C&W.

Accompanying networks include communications software. Network Designers (NDL) has a deal with Telkom, the South African state telecommunications corporation. The order includes the supply of

Continued on next page

FT EXPORTER 16

ANALYSIS

Fresh hope for Afro-optimists

Afro-optimists hope that a thriving post-apartheid South Africa will be the engine of growth that will haul the ailing economies of the region out of their protracted slump, writes **Michael Holman**, Africa Editor

In spite of the optimism over the long-term trade prospects for South Africa, Afro-pessimists point to the enormity of the challenge facing the region. African countries' GDP growth last year (excluding South Africa) was 1.4 per cent, according to the 1994 World Bank annual report – better than 1992, but still well below the region's population growth rate.

Whatever the outcome, no one under-estimates South Africa's dominant role in the economy of sub-Saharan Africa, strikingly illustrated by one yardstick: export credit guarantees extended to Pretoria, since Nelson Mandela's inauguration, exceed the total cover available to other countries in the region.

Whether trade opportunities are indeed going to pick up north of the Limpopo depends on which analysts you believe; and the analysts assessment may well be influenced by what they wish to sell.

For brokers extolling the merits of the dozen or so investment funds which have identified Africa as an emerging market whose time has come, prospects seem almost rosy.

"Out of the starting blocks" reads the caption on the cover of a bullish analysis of sub-Saharan stock markets published last month.*

Vast commodity reserves and low cost production, privatisation getting under way, and the easing or lifting of foreign exchange controls are features noted elsewhere in the report.

But before the exporter to Africa sends out a sales team, a distinctly more cautious comment should be taken into account.

"Small markets with low growth rates, poor infrastructure, high indebtedness, slow progress in introducing market and private sector orientated economic reforms, and low levels of technological capabilities, all reduce the attractiveness of many African countries to foreign investors," says the recent 1994 World Investment Report.**

Neither the stock market nor foreign investment level are in themselves adequate guide to the state of the African market: as much as half of the region's imports may be aid financed, and aid flows have been rising. But the comments of the Investment Report may serve as a useful indicator, for higher levels of foreign investment are essential to Africa's economic recovery.

Despite the reforms that got under way in many African countries during the 1980s, foreign direct investment (FDI) inflows did not increase between the second half of the 1980s and early 1990s, notes the report.

Averaging around $3bn a year, FDI flows to the entire region were considerably less than those received by Malaysia in the early 1990s, it points out.

Inflows are concentrated in oil exporting countries, notably Egypt, Angola and Nigeria. Although the total value of FDI flows into Africa nearly doubled from an annual average of $1.7bn during 1981-85, to an average of almost $3bn during 1986-90, says the study, those investments were concentrated in few countries, and modest when compared to FDI flows to other regions of the developing world.

Average annual FDI flows into Africa as a proportion of all inflows in developing countries declined between these two periods from 13 per cent to 11 per cent.

Worse was to come. Flows stagnated in the early 1990s to many African countries, while flows to other developing countries continued to increase.

"As a result, Africa's share declined further to 6 per cent by 1992, thus underlining the marginalisation of that continent in relation to FDI, apart from its marginalisation in relation to international trade."

Africa's reforms may have got it out of the starting blocks, but it has several laps to go, it seems, before it breasts the finishing tape.

Sub Saharan Stock Markets, Baring Securities; tel (44)-71-522-6707.

***World Investment Report, United Nations Conference on Trade and Development, (Unctad).*

Heart of gold: Johannesburg is the commercial centre of South Africa, which remains dependent on mineral exports. The mining industry is expecting a good year in 1995 Picture: Glyn Genin

FOREIGN DIRECT INVESTMENT FLOWS INTO AFRICA

1981-1992, (billions of dollars and percentage)

Region/country	1981-1985	1986-1990	1991	1992
	Annual average			
Africa	1.7	2.8	2.7	3.0
Africa's share in: (%)				
All countries	3.4	1.8	1.7	1.9
Developing countries	12.9	11.4	7.0	5.9
Oil-exporting countries[1]	1.4	2.1	1.8	2.2
Egypt	0.7	1.1	0.3	0.5
Nigeria	0.4	0.7	0.7	0.9
Other countries	0.3	0.8[2]	0.9	0.9

1 Algeria, Angola, Cameroon, Congo, Egypt, Gabon, Libyan Arab Jamahiriya, Nigeria and Tunisia; 2 Figure is inflated by unusually high investment in Liberia in 1988-1990 ($290m, $656m and $225m, respectively), most likely in flags-of-convenience facilities. Inflows to "other Africa," net of Liberia were as follows: 1988, $407m; 1989, $714m; 1990, $695m. *Source: UNCTAD, Division on Transnational Corporations and Investment, based on IMF statistics*

■ REGIONAL FOCUS

New initiatives in South Africa

Mark Suzman reports a rapid expansion of trade links with other developing countries, particularly in the rest of Africa and Asia

As a glance through Johannesburg's leading business newspaper, *Business Day*, demonstrates, South Africa's days as a trade pariah are well and truly over.

The pages are filled with news of new trade conferences, expos from all manner of countries, and a steady stream of high level ministerial visits – including two trips by America's Secretary of Commerce Ron Brown; visits from both British prime minister John Major; and the president of the British Board of Trade, Michael Heseltine – to try and boost international trade links.

Reflecting the country's return to favour as a trading partner, there has been a substantial rise in the number of international institutions willing to provide trade finance for South African transactions and of governments giving export credit guarantees.

Britain has been at the forefront of these new initiatives, and Mr Major announced a trade guarantee package of over R1bn during his recent visit, a move which makes South Africa one of the biggest markets for the UK's export credit guarantee programme. However, other countries have also been involved, with both Japan and the US announcing new packages and the European Union agreeing to grant South Africa GSP status from next January (although some key goods such as processed fruit and paper products will not be covered under the agreement following French pressure). And given South Africa's excellent payments record, the risks are relatively small.

Another particularly interesting development is the rapid expansion of trade links with other developing countries, particularly in the rest of Africa and Asia. Trade delegations have been arriving from places as diverse as Nigeria, Malaysia, Taiwan and India.

As a result, trade with these countries has been growing very rapidly over the past 12 months, albeit off a very low base, and businessmen on both sides are confident that these links will continue to expand.

The new interest has been clearly signalled in South Africa's trade figures for the year, and its import bill has been soaring. In the first six months of the year, merchandise imports rose 21 per cent from 1993's levels and in August alone, they rocketed up by 20.8 per cent to a high of R8.07bn for the month.

Also contributing to the surge is the desperate need by South African companies to modernise plant and equipment. After having let fixed investment decline to dangerously low levels during the crippling four-year recession that ended last year, many companies are now embarking on long-delayed capital spending, and machinery has accounted for nearly half of all imports.

Given that South Africa has a notoriously high propensity to import during times of economic growth, this move may soon send the trade account into deficit.

Indeed, the IBCA, the European ratings agency that recently gave South Africa a sub-investment grade rating of BB, cited this is one of the problems with the South African economy. Such an event is made even more likely by the government's declared commitment to start lowering import tariffs in line with the Gatt agreement, a process that began in July with the announcement that duties on motor cars would be reduced. However, despite this, South Africa continues to run a trade surplus, expected to be around R10bn on the year, and although import growth has far outstripped the rise in exports, the country's businessmen are confident that the tide will soon start to turn.

South Africa's remains overwhelmingly dependent on mineral exports, particularly gold, but given the fact that the commodity cycle appears to have bottomed out and in light of the continued depreciation of the Rand, the mining industry is expecting a good year in 1995.

The government's decision to start restructuring GEIS, South Africa's controversial R2bn a year export incentive scheme, which subsidises companies involved in manufacturing exports, may cause a short-term drop as companies are forced to cope with reduced government aid.

UK contracts in Africa: see Jon Marks report on the facing page.

FT EXPORTER 13

CREDIT WATCH

Letters of credit: risks and rewards

Jon Marke and **Kevin Godier** highlight the financial and commercial risks of doing business in a range of key markets

Algeria, traditionally a big market for letter of credit financing, has found obtaining confirmations extremely difficult in the past two years. An agreement to reschedule its official debt with the Paris Club of creditor governments and the implementation of an economic stabilisation and refinancing package with the IMF and World Bank has eased the situation.

However, the country's political crisis and commercial banks' attempts to reduce their Algerian exposure means that many exporters will continue to experience severe problems obtaining letters of credit (l/cs).

■ Turkey's foreign exchange crisis of early 1994 shook business confidence. The situation has improved since and, in July, Standard & Poor's, the US ratings agency, removed Turkey from its critical credit-watch list. But relatively few banks are prepared to take on fresh Turkish risk and many have closed existing credit lines.

Specialist trade financiers such as forfaiters (who buy an exporters' debt at a discount, providing cash up-front to reduce the seller's risk to zero) have been moving out of Turkey, which has been deemed to be no longer a good risk for repayments.

Securing Turkish l/cs may also prove problematic and often depends on the strength of the relationships between importers' and exporters' confirming banks. Letters of credit cover more than 40 per cent of Turkish transactions, with around 20 per cent of deals transacted on open account terms.

■ Brazil and Argentina. Trade flows into Latin America are rising sharply, as economies in the region continue their expansion. Increased use of export credit agency services offers one option for capital goods exporters. Standard letters of credit were the basic instrument when the payments situation was less certain.

Methods available for capital equipment financing range from collateralised pre-payment, through sight l/cs (payable at sight) to medium- and long-term finance provided by commercial banks.

Thus, Barclays de Zoete Wedd (BZW) has signed a five-year facility worth $38.25m for the Brazilian navy to finance goods supplied by UK defence contractors in one of the first medium-term loans from a prime lending institution since Brazil's Brady plan debt restructuring.

Clients in the region borrowing on a short-term basis generally receive terms of 90-180 days, although 360-day structures are available for larger deals.

Medium-term borrowing is usually on terms of between two and five years, and in the fast expanding market for infrastructure equipment terms as long as ten years have been quoted.

Lloyds Bank of the UK, reports that it has credit lines in place worth over $1bn for Brazil alone, which continues to enjoy strong demand for commodities. The bank is "usually looking to take on more Brazilian capacity," according to Simon Sayer, assistant director in Lloyds' project and trade finance group. Mr Sayer sees a trend away from l/c financed trading – "less than one half of our Brazilian deals is now done through letters of credit," he says.

Mr Sayer stresses the benefits of this trend given the expense to the exporter of raising an l/c, the maturity of which can be considerably longer than the duration of the actual deal, as with many commodity transactions.

An alternative, which is especially useful for clients purchasing medium-sized capital equipment, involves the discounting of the paper debt – a procedure akin to factoring or forfaiting.

In this case risk calculations are often based on the bank's confidence in known buyers, where default risk is at a minimum.

■ Uruguay has promoted itself as a regional finance centre, and there is added availability of trade credits through Montevideo's offshore financial institutions. However, the maturities on Uruguayan payments remain broadly in line with those of Argentina and Brazil.

London banks report a steady demand

Continued on next page, column one

Turkish industry faces problems: truck transmission systems being manufactured at Polatli, near Ankara

FT EXPORTER 14

EXPORT AND CREDIT COLLECTION SURVEY

Country	Exchange Delays (months)	Collection Experience	Most liberal Suggested Terms	Country	Exchange Delays (months)	Collection Experience	Most liberal Suggested Terms
Australia	2	Good	OA	Mexico	8	Fair-good	SD
Brazil	4	Fair	ULC	New Zealand	2	Good-fair	30/SD
Canada	2	Good-fair	OA	Nigeria	3	Fair	ULC
Chile	2	Good	SD	Oman	3	Good-fair	SD
Egypt	3	Fair-good	ULC	Pakistan	3	Fair-good	SD
Ghana	3	Fair	SD	Philippines	3	Fair	ULC
Hong Kong	2	Good-fair	30/SD	Saudi Arabia	8	Fair	SD
India	8	Fair	SD	Singapore	2	Good-fair	30/SD
Indonesia	4	Fair-good	SD	South Africa	3	Good-fair	SD
Israel	2	Fair-good	SD	Thailand	8	Good-fair	SD
Jamaica	3	Fair	ULC	Trinidad & Tobago	3	Fair-good	ULC
Japan	2	Good	30/OA	Turkey	3	Fair	ULC
Kenya	3	Fair-poor	ULC	UAE	3	Fair-good	SD
South Korea	3	Fair-good	SD	US	2	Good-fair	60/SD
Kuwait	2	Fair-good	SD	Venezuela	3	Fair-poor	ULC
Malaysia	3	Good-fair	SD	Vietnam	4	Mostly LC	ULC

Footnotes: 1. OA - open account; ULC - unconfirmed letter of credit; SD - sight draft; 30/SD - 30 days sight draft. 2. Exchange delays refer to the time taken from the due date for the importer to deposit local currency with the central bank or other authorising body and for foreign currency to be deposited with the exporter. 3. Collection experience refers to the risk attached to exchange delays. 4. Individual experiences can vary considerably, depending on the relationship with the buyer, type of goods etc. 5. All of the above countries appear in the UK department of trade and industry's List of Target Markets.
Source: Financial Times International Trade Finance, a bi-weekly newsletter published by Financial Times Business Enterprises.

The European Bank for Reconstruction and Development is considering plans for a new trade finance facility for the Baltic states

Credit watch: trends in trade finance

Continued from previous page:

for UK equipment in the Uruguayan market which is satisfied by a mix of letters of credit deals and avalised drafts.

■ Paraguay: In less attractive markets such as Paraguay, very short-term trade finance remains the norm and is largely linked to the predominantly agricultural economy, involving tractors and other farm equipment.

■ Peru, Bolivia and Ecuador: Much short-term financing involves deals of around $5,000-$10,000, bankers report, with only financiers very specialised in such markets offering l/cs on terms of up to 180 days. But for these countries' limited number of blue chip borrowers and for larger structured projects, medium-term financing may be available.

The following are among other recent trends noted by specialist trade financiers:

■ Estonia, Latvia and Lithuania are building new banking and commercial relations, but sight l/cs and other very short-term instruments still dominate. The European Bank for Reconstruction and Development is considering plans for a new trade finance facility for the Baltic states, which would follow its ground-breaking deal for Macedonia.

■ Kazakhstan is gradually developing as the focus for trade finance activity in Central Asia due to its potential to generate revenues for exports of oil and other natural resources. Forfaiters, including Hungarian International Bank, report some activity. But lack of capacity is a severe problem in a market where buyers are seeking financing for contracts potentially worth tens of millions of dollars.

A short-term market in l/cs of up to 180 days is emerging in Kazakhstan. Business focuses on the multinationals setting up in Almaty with an eye to the opportunities on offer now and especially when the legislative and operating environment in Kazakhstan becomes clearer. *(See also the case study on page 24 of this issue of the FT Exporter).*

■ Pakistan is increasingly using the *morabaha* (cost-plus financing) Islamic financing instrument. Specialists, such as the Bahrain-based Faisal Islamic Bank are arranging a steady flow of *morabaha* syndications for Pakistani enterprises.

Western banks, including ANZ Grindlays Bank and Kleinwort Benson, are also becoming established in the Islamic market for short-term transactions.

Analysts say that as the use of Islamic instruments matures they will increasingly be used for larger and more long-term trade transactions.

Islamic banking: see feature, page 17

CROSS-BORDER LEASING

Tough restrictions in the UK

A classic cross-border leasing deal involves an exporter selling equipment to a leasing company, which, in turn, structures a leasing arrangement with the foreign customer, explains **Alan Spence**

The wide range of financial and other support mechanisms in place for UK exporters has one demonstrable absentee – the availability of mainstream crossborder leasing services to fund and facilitate the sale of, particularly, capital goods equipment.

This has been the case since the early 1980s when tough legislation, aimed at curbing abuses resulting in tax revenue losses, killed off conventional cross-border leasing of UK exports by establishing rules which made the practice unattractive to leasing companies. However, attempts to change the law relating to cross-border leasing are continuing; the main lobbying body is the London-based Finance and Leasing Association (FLA) which groups together a range of finance houses, including representatives from UK clearing and merchant banks.

Additionally, despite the current prohibitive UK tax regime, some leasing company executives maintain that exporters should not ignore the leasing option. In certain circumstances it may be viable, depending on a range of factors such as the value of the equipment and whether repeat orders are involved.

Also, some asset finance companies may be prepared to assist UK exporters by operating through foreign subsidiaries where they can access more favourable tax regimes.

Cross-border leases can vary: *operating leases* generate income from the assets involved; *full-payout leases* are aimed at the leasing company receiving back the value of product, plus a target profit, during the life of the lease - with the lessee purchasing the equipment thereafter (or continuing the arrangement at a more or less nominal fee).

"Such leases have not featured much in the UK exporter's lexicon of trade finance terminology for a long time," says Barry Sutton of London-based lease structuring experts New Boston Partners, which are partly owned by the Bank of Tokyo.

The fundamental unattractiveness of UK cross-border leasing operations to leasing

Continued on facing page

OECD EXPORT CREDIT RATES

Minimum interest rates for officially supported export credits (%)

Currency	Sep 15-Oct 14	Aug 15-Sep 14
Australian dollar	9.80	8.94
Austrian schilling	7.88	7.70
Belgian franc	8.32	8.88
Canadian $ (to 5 years)	9.11	9.55
Canadian $ (5 to 8.5 yrs)	9.49	9.80
Canadian $ (over 8.5 yrs)	9.72	10.04
Danish krone	8.80	8.10
Dutch guilder (to 5 yrs)	7.80	7.35
Dutch guilder (5 to 8.5 yrs)	8.10	7.70
Dutch guilder (over 8.5 yrs)	8.10	7.70
Ecu	8.34	8.17
Finnish markka	10.70	10.50
French franc	8.40	8.09
German mark	7.77	7.47
Irish punt	8.37	9.17
Italian lira	11.11	10.28
Japanese yen	4.50	4.50
New Zealand dollar	8.21	8.93
Norwegian krone	8.84	8.18
Spanish peseta	11.41	11.24
Swedish krone	11.82	11.23
Swiss franc	6.37	6.18
UK pound	9.53	9.28
US dollar (to 5 yrs)	7.50	7.48
US dollar (5 to 8.5 yrs)	7.88	7.91
US dollar (over 8.5 yrs)	8.06	8.12

□ These rates are published monthly, normally around the middle of each month. A premium of 0.2 per cent is to be added to the credit rates when fixing at bid.

□ Interest rates may not be fixed for longer than 120 days. SDR-based rates of interest are the same for all currencies.

□ For the period from July 15, 1994, through to January 14, 1995, the SDR-base rate will be 7.35 per cent. It replaces the previous rate of 5.95 per cent. It will again be subject to change on January 15, 1995. The SDR-based rate is derived from the weighted average of the yields of government or public sector bonds of France, Germany, Japan, the UK and US. *Source: OECD*

FORFAITING RATES

	Period years	DM %	US$ %
AMERICAS			
Argentina	5	11¼	11⅜
Brazil	5	*	*
Canada	7	7⅞	7⅞
Chile	5	9¼	9⅜
Colombia	3	*	*
Mexico	5	10¾	10⅞
Uruguay	1	*	*
US	7	7⅞	7⅞
Venezuela	1	*	*
EUROPE			
Austria	7	7⅞	7⅞
Belgium	7	7⅞	7⅞
Cyprus	5	8½	8⅝
Czech Republic	5	11¼	11⅜
Denmark	5	7⅝	7¾
Finland	5	7⅝	7¾
France	7	7⅞	7⅞
Germany	7	7⅞	7⅞
Greece	3	8⅞	9
Hungary	5	10¼	10⅜
Iceland	3	8⅞	9
Ireland	5	7¾	7⅞
Italy	5	7¾	7⅞
Malta	5	9	9⅛
Netherlands	7	7⅞	7⅞
Norway	5	7⅝	7¾
Poland	5	11¾	11⅞
Portugal	7	8	8
Romania	1	*	*
Slovakia	1	10¾	11
Slovenia	5	10¾	10⅞
Spain	7	7⅞	7⅞
Sweden	5	7⅝	7¾
Switzerland	7	7⅞	7⅞
Turkey	–	–	–
UK	7	7⅞	7⅞
AFRICA			
Morocco	5	11¼	11⅜
South Africa	3	9⅞	10
Tunisia	3	8¾	9
Zimbabwe	1	*	*

	Period years	DM %	US$ %
ASIA & AUSTRALASIA			
Australia	5	7¾	7⅞
China	5	9¼	9⅜
Hong Kong	5	8¼	8⅜
India	5	*	*
Indonesia	3	9⅛	9¼
Japan	7	7⅞	7⅞
Malaysia	5	8	8⅛
Nepal	0.5	8⅜	8½
New Zealand	5	7½	7⅝
Pakistan	2	9⅞	10⅛
Singapore	7	7⅞	7⅞
South Korea	5	8	8⅛
Sri Lanka	2	9½	9¾
Taiwan	7	8⅛	8⅛
Thailand	5	8¾	8⅞
Vietnam	5	*	*
MIDDLE EAST			
Bahrain	5	8½	8⅝
Egypt	5	*	*
Kuwait	5	8½	8⅝
Oman	5	8½	8⅝
Qatar	5	8½	8⅝
Saudi Arabia	5	*	*
UAE	5	8½	8⅝
LISDR		DM	US$
Six months		5⅜	5½
One year		5¾	6
Two years		6½	6⅞
Three years		7	7⅛
Four years		6⅜	7¼
Five years		7½	7⅞

These indications are shown on a basis of discount to yield, assuming six monthly repayments. Three year transactions are calculated with an average life of 1¾ years, five-year arrangements with a life of 2¾ years. Indications apply only to immediately available business. Commitments up to six months call for a slight rate increase. The standard commitment fee is 0.1 per cent a month, but can vary according to the risk. * Subject to negotiation. Rates provided by Indosuez Avel Ltd, 122 Leadenhall Street, London EC3V 4QH. Tel: +44 (0) 71 522 0034. Telex: 888318. Inquiries: Janine Barber, Andrew Freeman, Alison Elliott, Isabelle Russell.

FT EXPORTER 15

FALSE DOCUMENTATION

Fraud is all too easy

Michael Rowe reports on abuses of the documentary credit system

Documentary credits are well-established as a way of making payment for export sales, yet fraudsters still successfully swindle sellers, buyers and banks. Because of the difficulties in stopping or recovering international letters of credit (l/c) payments, early preventive steps – before deals are concluded – will provide the only effective safeguard.

Under the documentary credit system, the importer's bank gives an irrevocable undertaking to pay the exporter against presentation of shipping documents. Provided the documents appear correct, the bank is obliged to hand over the money and its customer has to reimburse it.

This can sometimes result in unscrupulous sellers obtaining full payment for non-existent or sub-standard goods, and the buyer has to foot the bill.

Conversely, the banks can refuse payment, even though the goods are perfect and comply with the export agreement, if only one of the documents does not comply exactly with the letter of credit terms. Examples could be the absence of an "on-board" notation on a bill of lading specified in the credit, or the issuance of an inspection certificate by a company other than the one named in the letter of credit.

In cases such as this, a dishonest buyer may be able to obtain possession of the goods and either resist payment altogether or hold out for an unjustifiable price reduction.

According to the UK-based ICC Commercial Crime Bureau – a specialised division of the International Chamber of Commerce in Paris – one such scam, involving phoney sugar export deals in Central and South America, is affecting businesses around the globe.

"Some cargoes being offered to buyers worldwide are often described as 'floating cargo' or 'outside quota' and at a significantly lower price than the current market price. Buyers are required to present an ICPO (Irrevocable Corporate Purchase Order) and put up a substantial amount of guarantee," says the bureau.

"On each occasion, enquiries . . . have found that the cargoes do not exist and the proposed transactions are an attempt to defraud inexperienced buyers and/or their banks. In some cases, money-laundering is also suspected," the bureau warns.

In other instances, fraudulent buyers – mainly in Nigeria – trick exporters into shipping goods to them by forging worthless documentary credits. The criminals usually request that goods be shipped by air freight; and, in some instances, fraudulent bank drafts are also presented.

When the exporting company tries to claim payment, it discovers that the bank which is said to have issued the l/c or the draft, knows nothing about the transaction. Therefore, suppliers should contact their banks to check the authenticity of documents before releasing goods, but exporters are sometimes reluctant to do this for fear of losing what seems to be a genuine order.

Exporters are also losing money through frauds on documentary collection operations. Under this procedure, the seller presents the shipping documentation to the importer through the banking system, and the bank in the buyer's country releases the documents to the importer against payment.

The buyer needs to have these documents in order to obtain possession of the goods. However, in some instances, dishonest buyers are able to obtain delivery of the goods without payment by presenting forged documents to the carrier or warehouse.

Mr Lin Kuo, assistant director of the ICC Commercial Crime Bureau, suggests that companies can considerably diminish the fraud risk by applying a simple four-part check list:

□ Know your customer as well as you would know your enemy. Companies should be satisfied with the standing and integrity of the customer they are dealing with before entering into any binding agreement. The customer's competitors can often be the best source of information in this respect.

□ Never rely one hundred per cent on documents presented to you. The golden rule is check, check and check again.

□ Remember, "you never get anything for nothing," and if the deal is "too good to be true," it probably is, says the bureau.

□ In addition to informing yourself fully on the risks of frauds and precautions that can be taken, make sure that your employees are also fully informed and aware in these respects.

The agreement to effect payment on letter of credit terms is made between buyer and seller when they strike their export deal. The importer then instructs its bank to issue the appropriate documentary credit. Normally, this is notified to the exporting firm through a bank in the exporter's own country.

Do the goods and the paperwork match up? The golden rule is check – and check again

The exporter may do little more than glance at the incoming letter of credit to ensure that the amount is right, and then file it away until the time arrives to claim payment. However, if it subsequently discovered that the seller's documents do not comply strictly with the credit terms, it is too late to put matters right.

An importer who suspects that he may have been defrauded after the credit has been issued and the goods have been shipped, usually stands little chance of stopping the bank from paying. This is because courts in most countries have held that bankers' irrevocable payment undertakings are essential to the conduct of international trade, and should hardly ever be interfered with.

In most instances, the buyer will be left with no remedy other than to sue the seller for return of the money.

Curbs on leasing deals

Continued from facing page:

companies lies in the fact that only 10 per cent Writing Down Allowances (WDAs) are available – and there are considerable restrictions on how and where these apply.

This means that a leasing company, when allowed, can only write off 10 per cent of the cost of purchasing equipment annually. This compares with 25 per cent on domestic UK leases and a range of more favourable tax regimes in most of UK exporters' competitor countries, particularly in Europe.

UK exporters lack a leasing option, unlike their counterparts in most other countries in Europe, says Mr Sutton.

Where available, lease-based exporting can be attractive with the leasing company, providing the exporter with secure funds up-front, thus removing payment worries and possible concerns, such as the cost and administration of export credit agency insurance.

According to the FLA, in 1981 – the year before current tax treatment was introduced – FLA members wrote new leases for foreign customers amounting to around £600m and provided a significant source of support for UK exports, especially in the capital equipment sector.

At today's prices, the 1981 figure would exceed £1bn with, according to FLA estimates, the value of leases involving UK exports probably amounting to around £700m.

However, the continued absence of such funding for export sales reflects concern within the Inland Revenue that a relaxation of the tax law relating to cross-border leasing could re-generate a spate of export leasing-based tax abuses triggering significant loss of revenue.

A common abuse involved foreign companies claiming capital allowances for purchases of non-UK origin equipment.

There seems little prospect that the 10 per cent WDAs will be raised in the near future, but, according to Mr Andy Thompson, secretary of the FLA, some liberalisation of the conditions which allow leases to qualify for WDAs may eventually emerge.

Currently, for example, qualifying leases cannot be written for longer than 13 years and payments must be evenly spread. The FLA would like to see longer qualifying lease terms and greater payments flexibility.

In addition to the FLA, the British Exporters Association (Bexa), a lobby group which brings together both bankers and manufacturers, says it is unhappy that cross-border leasing remains effectively unavailable to exporters.

The association is especially concerned that, in some situations, foreign companies against which UK exporters are bidding may gain competitive advantage by having the lease finance option available to back sales.

"We are closely monitoring the situation, possibly with a view to taking it up with government," says Bexa chairman Mr Keith Johnson.

Bexa has strongly lobbied government in recent years in a bid to improve the level of government support for exporters. It played a key role, for example, in pressing the government to boost export credit insurance facilities.

"We are interested in hearing from any British exporters who feel they are losing out by not having the export lease finance option available," says Mr Johnson.

Meanwhile, regardless of future legal developments, exporters exploring a range of funding options may find a leasing company which could be prepared to handle lease based exports.

NatWest Leasing and Asset Finance is amongst a cluster of finance houses prepared, in certain circumstances, to handle "big ticket" business of around £10m or more involving such exports as aircraft, railway rolling stock and large plant – a key attraction being the level of financial flows involved.